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M DREAM INWORLD LIMITED
聯夢活力世界有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8100

**CONNECTED TRANSACTIONS,
VERY SUBSTANTIAL ACQUISITION,
ISSUE OF NEW SHARES
and
PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL**

SUMMARY

On 30 July, 2004, the Company entered into the MDC Subscription Agreement with M Dream China, pursuant to which M Dream China conditionally agreed to subscribe for an aggregate of 152,941,176 new Shares (representing approximately 9.05% of the issued share capital of the Company as at the date of this announcement and approximately 5.87% of the issued share capital of the Company as enlarged by the new Shares to be issued under MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement) at the Subscription Price.

On 30 July, 2004, the Company also entered into the Share Swap Agreement with the Elipva Shareholders and Elipva, pursuant to which the Elipva Shareholders conditionally agreed to sell, and the Company conditionally agreed to purchase, the entire issued share capital of Elipva held by the Elipva Shareholders as at the Completion Date at the Transaction Consideration to be satisfied by the Company's issue and allotment of the Consideration Shares at the Issue Price. The Transaction Consideration will be the lower of (a) 2.75 times the Net Asset Value of Elipva ; and (b) a maximum of S\$6,875,000 (approximately HK\$31,133,437.50). Based on the management accounts of Elipva for the five months ended 31 May 2004 and taking into account the effect of the Elipva Capitalization, the net asset value of Elipva would

be approximately S\$2,881,000 (approximately HK\$13,046,068.50) and the Transaction Consideration would be approximately HK\$31,133,437.50 and a resultant total of 610,459,559 new Shares (representing approximately 36.11% of the issued share capital of the Company as at the date of this announcement and approximately 23.41% of the issued share capital of the Company as enlarged by the new Shares to be issued under the MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement) would be issued to Elipva Shareholders as Consideration Shares.

On 30 July, 2004, the Company also entered into the STT Subscription Agreement with STT, pursuant to which STT conditionally agreed to subscribe for an aggregate of 152,941,176 new Shares (representing approximately 9.05% of the issued share capital of the Company as at the date of this announcement and approximately 5.87% of the issued share capital of the Company as enlarged by the new Shares to be issued under MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement) at the Subscription Price.

Completion of the MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement are inter-conditional and shall take place simultaneously. Based on the maximum amount of the Transaction Consideration, immediately after the simultaneous completion of the above agreements, the aggregate shareholding of each of the following parties in the Company would be as follows:

- (a) M Dream China would hold 512,941,176 Shares (representing approximately 19.68% the enlarged issued share capital of the Company);
- (b) Elipva Shareholders (other than STTC) would together hold 255,538,371 Shares (representing approximately 9.80% of the enlarged issued share capital of the Company); and
- (c) STTC and STT would together hold an aggregate of 507,862,364 Shares (representing approximately 19.48% of the enlarged issued share capital of the Company).

Please refer to the section headed “Effect of the MDC Subscription, the Share Swap and the STT Subscription” below for further details of the change in the shareholding structure of the Company before and after completion of the MDC Subscription, the Share Swap and the STT Subscription.

The Issue Price and the Subscription Price, which are the same, represent (a) a premium of approximately 6.25% to the closing price of HK\$0.0480 per Share as quoted on GEM on 26 July 2004; (b) a premium of approximately 2.62% to the average closing price of approximately HK\$0.0497 per Share as quoted on GEM for the preceding 10 trading days up to and including 26 July 2004; and (c) a premium of approximately 4.08% to the average closing price of approximately HK\$0.049 per Share as quoted on GEM for the preceding 5 trading days up to and including 26 July 2004.

The net proceeds from the MDC Subscription and the STT Subscription are estimated to be approximately HK\$13.34 million. It is the intention of the Directors that out of such net proceeds, (a) approximately HK\$12 million will be used for the development of the Group's mobile value added service business in the PRC; and (b) the remaining balance of approximately HK\$1.34 will be used as general working capital of the Group in respect of its business operations.

The Share Swap constitutes a very substantial acquisition under the GEM Listing Rules. Given that the completion of the MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement are inter-conditional, the Elipva Shareholders are deemed as connected persons by the Stock Exchange and therefore the Share Swap and the STT Subscription are also treated as connected transactions under the GEM Listing Rules. Completion of each of the Share Swap Agreement, the MDC Subscription Agreement and the STT Subscription Agreement is therefore subject to, inter alia, Independent Shareholders' approval at the EGM.

M Dream China is a substantial shareholder of the Company and thus is treated as a connected person of the Company under the GEM Listing Rules. The MDC Subscription Agreement constitutes a connected transaction for the Company under the GEM Listing Rules and therefore requires Independent Shareholders' approval at the EGM, and where Elipva Shareholders and/or their respective associates have shareholding in the Company then they will abstain from voting at the EGM.

A circular containing, among other things, further details relating to the MDC Subscription, the Share Swap and the STT Subscription will be dispatched to the Shareholders within 21 days after the publication of this announcement.

At the request of the Company, trading in the Shares on GEM has been suspended with effect from 9:30 a.m. on 27 July 2004, pending the issue of this announcement. Application has been made for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 August 2004.

MDC SUBSCRIPTION AGREEMENT DATED 30 JULY 2004

Parties

- (a) M Dream China; and
- (b) the Company

The MDC Subscription Shares

152,941,176 new Shares, representing (a) approximately 9.05% of the issued share capital of the Company as at the date of this announcement; (b) approximately 8.29% of the issued share capital of the Company as enlarged by new Shares to be issued under the MDC Subscription Agreement; and (c) approximately 5.87% of the issued share capital of the Company as enlarged by the new Shares to be issued under MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement.

Subscription Price

The Subscription Price is HK\$0.051 per MDC Subscription Share.

Ranking

The MDC Subscription Shares, when issued and fully paid, will rank equally with the existing Shares of the Company in issue as at the date of issue of the MDC Subscription Shares.

Conditions of the MDC Subscription Agreement

Completion of the MDC Subscription Agreement will be conditional upon the fulfillment of the following conditions on or before the Long Stop Date:

- (a) all conditions precedent of the Share Swap Agreement and the STT Subscription Agreement (save and except the condition that the MDC Subscription Agreement having become unconditional) having become fulfilled or waived in accordance with the terms thereof;
- (b) Shareholders approving at the EGM in accordance with the GEM Listing Rules the increase in the authorised share capital of the Company from HK\$30,000,000 to HK\$60,000,000 by the creation of an additional 3,000,000,000 Shares, the issue and allotment of the Consideration Shares to the Elipva Shareholders pursuant to the terms of the Share Swap Agreement, the issue and allotment of the STT Subscription Shares to STT pursuant to the terms of the STT Subscription Agreement, and the issue and allotment of the MDC Subscription Shares to M Dream China pursuant to the terms of the MDC Subscription Agreement;
- (c) the Share Swap and all the transactions contemplated under the Share Swap Agreement and/or under the STT Subscription Agreement and/or under the MDC Subscription Agreement will not be considered by the Stock Exchange as constituting a “reverse takeover” under the GEM Listing Rules; and
- (d) the Stock Exchange having granted the listing of, and permission to deal in, all of the Consideration Shares, the Subscription Shares and the MDC Subscription Shares.

These conditions will not be waived.

Completion of the MDC Subscription

Subject to fulfillment of the above conditions, completion of the MDC Subscription will take place simultaneously with completion of the Share Swap and the STT Subscription on the Completion Date.

SHARE SWAP AGREEMENT DATED 30 JULY 2004

Parties

- (a) Elipva Shareholders;
- (b) Elipva; and
- (c) the Company.

The Sale Shares to be acquired

211,299,760 shares of S\$0.05 each, representing the entire issued share capital of Elipva after the completion of the Elipva Capitalization (which is expected to take place on or before the Month End Date but in any event before the Completion Date) and as at completion of the Share Swap.

Transaction Consideration

The Transaction Consideration shall be settled by way of the issue and allotment of the Consideration Shares at the Issue Price.

The Transaction Consideration shall be the lower of (a) 2.75 times the Net Asset Value of Elipva (as shown in the Elipva Latest Accounts); and (b) a maximum of S\$6,875,000 (approximately HK\$31,133,437.50). Based on the management accounts of Elipva for the five months ended 31 May 2004 and taking into consideration the effect of the Elipva Capitalization, the net asset value of Elipva would be approximately S\$2,881,000 (approximately HK\$13,046,068.50) and the Transaction Consideration would be fixed at the maximum amount of approximately HK\$31,133,437.50, and a resultant total of 610,459,559 new Shares (representing approximately 36.11% of the issued share capital of the Company as at the date of this announcement and approximately 23.41% of the issued share capital of the Company as enlarged by the new Shares to be issued under the MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement) would be issued to Elipva Shareholders as Consideration Shares.

Taking into account the nature of the business of Elipva, its potential growth, contracts on hand and client base, the synergy of Elipva's business with that of the Group and the benefits (business and otherwise) that the acquisition of the Elipva's business may bring to the Group, the Directors consider that the formula used in determining the Transaction Consideration is fair and reasonable.

Conditions of the Share Swap Agreement

Completion of the Share Swap Agreement will be conditional upon the fulfillment of the following conditions on or before the Long Stop Date:

- (a) the completion of the Elipva Capitalization;

- (b) none of the Elipva Shareholders (individually or together with other parties) shall be required under the Takeovers Code to extend a general offer for the issued securities of the Company in connection with or as a result of the transactions and/or matters contemplated in the Share Swap Agreement and/or the STT Subscription Agreement;
- (c) Shareholders approving at the EGM in accordance with the GEM Listing Rules the increase in authorized share capital of the Company from HK\$30,000,000 to HK\$60,000,000 by the creation of an additional 3,000,000,000 new Shares, the Share Swap Agreement, the STT Subscription Agreement and the MDC Subscription Agreement, and the issue and allotment of the new Shares pursuant to the terms of the Share Swap Agreement and the transactions contemplated under the Share Swap Agreement, the STT Subscription Agreement and the MDC Subscription Agreement;
- (d) the approval of the Stock Exchange for the issue and listing of, and permission to deal in, the new Shares to be issued as consideration under the Share Swap Agreement on GEM having been obtained;
- (e) the Share Swap and all the transactions contemplated under the Share Swap Agreement and/or under the STT Subscription Agreement will not be considered by the Stock Exchange and/or the Securities and Futures Commission as constituting a “reverse takeover” under the GEM Listing Rules;
- (f) completion of due diligence review on the Elipva Group to the satisfaction of the Company;
- (g) completion of due diligence review on the Group to the satisfaction of the Elipva Shareholders;
- (h) the warranties, representations and undertakings given by the Elipva Shareholders and Elipva to the Company under the Share Swap Agreement remaining true and accurate in all material respects as at the date of the Share Swap Agreement and at all times up to and including the Completion Date save as disclosed in the disclosure letter dated the date of the Share Swap Agreement and provided by Elipva and the Elipva Shareholders to the Company, the Elipva audited accounts for the year ended 31 December 2003 and the Elipva management accounts for the five months ended 31 May 2004;
- (i) all the conditions precedent of the MDC Subscription Agreement and the STT Subscription Agreement (save and except the condition that the Share Swap Agreement having become unconditional) having become fulfilled or waived in accordance with the terms thereof; and
- (j) the representations, warranties, undertakings or indemnities made or given by the Company to the Elipva Shareholders under the Share Swap Agreement remaining true and accurate in all material respects as at the date of the Share Swap Agreement and at all times up to and including the Completion Date save as disclosed in the disclosure letter dated the date of the Share Swap Agreement and provided by the Company to the Elipva Shareholders, the Inworld audited accounts for the year ended 31 December 2003 and the Inworld unaudited consolidated accounts for the six months ended 30 June 2004.

The Elipva Shareholders may at any time waive the fulfillment of conditions (g) and (j) in whole or in part and the Company may at any time waive the fulfillment of conditions (f) and (h) in whole or in part.

If any of the above conditions (which have not been previously been waived by the Elipva Shareholders or the Company (as the case may be)) has not been fulfilled on or before the Long Stop Date, then the Elipva Shareholders or the Company may, thereafter at their respective option, by notice in writing to the other parties, rescind the Share Swap Agreement.

Completion of the Share Swap

Subject to fulfillment of all of the above conditions (if not waived as mentioned above), completion of the Share Swap Agreement will take place simultaneously with completion of the MDC Subscription Agreement and the STT Subscription Agreement on the Completion Date.

Independence of the Elipva Shareholders

The Directors confirm, to the best of their knowledge, information and belief, having made all reasonable enquiries, that each of the Elipva Shareholders and their respective ultimate beneficial owners are third parties to, and independent of, and not acting in concert with, the Company and its connected persons (as defined under the GEM Listing Rules).

The Elipva Shareholders have confirmed the following, in each case on the assumption of (a) the Company having 2,606,949,911 Shares in issue upon completion of the Three Agreements; and (b) the Transaction Consideration being the maximum sum of S\$6,875,000:

- (i) STTC, based upon its best knowledge and belief and after making all due and reasonable enquiries and reasonable steps, has confirmed that it, together with its subsidiaries (including, without limitation, STT) and parties acting in concert with any of the aforesaid entities, shall hold an aggregate of 507,862,364 Shares upon completion of the Three Agreements (representing approximately 19.48% of the enlarged issued share capital of the Company as at such completion);
- (ii) Allwin Asia Inc. has confirmed that it, together with its subsidiaries and parties acting in concert with any of the aforesaid entities, shall hold an aggregate of 204,870,228 Shares upon completion of the Three Agreements (representing approximately 7.86% of the enlarged issued share capital of the Company as at such completion);
- (iii) eMatrix Pte Ltd. and its controlling shareholders, Mr. ChoongYing Chuan have confirmed that they, together with the subsidiaries of eMatrix Pte Ltd. and parties acting in concert with any of aforesaid entities, shall hold an aggregate of 48,653,626 Shares upon completion of the Three Agreements (representing approximately 1.87% of the enlarged issued share capital of the Company as at such completion); and

- (iv) Mr. Chang Sau Sheong has confirmed that he, together with parties acting in concert with him, shall hold an aggregate of 2,014,516 Shares upon completion of the Three Agreements (representing approximately 0.07% of the enlarged issued share capital of the Company as at such completion).

Based on the above confirmations, STTC and the other Elipva Shareholders and parties acting in concert with them respectively will in aggregate hold less than 30% of the voting rights of the Company immediately upon completion of the Agreements.

STT SUBSCRIPTION AGREEMENT DATED 30 JULY 2004

Parties

- (a) STT; and
- (b) the Company

The STT Subscription Shares

152,941,176 new Shares, representing (a) approximately 9.05% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 5.87% of the issued share capital of the Company as enlarged by the new Shares to be issued under the MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement.

Subscription Price

The Subscription Price is equivalent to the Issue Price of HK\$0.051 per Share.

Ranking

The STT Subscription Shares, when issued and fully paid, will rank equally with the existing Shares of the Company in issue as at the date of issue of the STT Subscription Shares.

Conditions of the STT Subscription Agreement

Completion of the STT Subscription Agreement will be conditional upon the fulfillment of the following conditions on or before the Long Stop Date:

- (a) all conditions precedent of the Share Swap Agreement and the MDC Subscription Agreement (save and except the condition that the STT Subscription Agreement having become unconditional) having become fulfilled or waived in accordance with the terms thereof;
- (b) Shareholders approving at the EGM in accordance with the GEM Listing Rules the increase in the authorised share capital of the Company from HK\$30,000,000 to HK\$60,000,000 by the creation of an additional 3,000,000,000 new Shares, the STT Subscription, the MDC Subscription, the Share Swap, the issue and allotment of the MDC Subscription Shares pursuant to the terms of the MDC Subscription Agreement, the issue and allotment of the STT Subscription Shares pursuant to the terms of the STT Subscription Agreement and the issue and allotment of the Consideration Shares pursuant to the terms of the Share Swap Agreement;
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, all of the STT Subscription Shares to be issued and allotted by the Company pursuant to the STT Subscription Agreement, the MDC Subscription Shares to be issued and allotted by the Company pursuant to the MDC Subscription Agreement and the Consideration Shares to be allotted and issued by the Company pursuant to the Share Swap Agreement (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the STT Subscription Shares and/or the MDC Subscription Shares and/or the new Shares to be allotted and issued by the Company pursuant to the Share Swap Agreement); and
- (d) the Shares remaining listed on GEM and are not suspended for a period exceeding 10 consecutive trading days other than for the purpose of clearance of the announcement relating to the MDC Subscription, the Share Swap and the STT Subscription.

These conditions will not be waived.

Completion of the STT Subscription

Subject to fulfillment of the above conditions, completion of the STT Subscription Agreement will take place simultaneously with completion of the Share Swap Agreement and the MDC Subscription Agreement on the Completion Date.

Independence of STT

The Directors confirm, to the best of their knowledge, information and belief, having made all reasonable enquiries, that STT and its ultimate beneficial owners are third parties to, and independent of, the Company and its connected persons (as defined under the GEM Listing Rules).

APPLICATION FOR LISTING

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the MDC Subscription Shares, the Consideration Shares and the STT Subscription Shares.

REASONS FOR THE SHARE SWAP

As was stated in the Company's prospectus dated 18 December 2001, the Company intended to become a leading system integration solution provider in the PRC and other Asian region, and Singapore was specified as one of the targeted markets.

Taking into consideration the existing business scope and coverage of Elipva, the Directors consider that the entering into of the Share Swap Agreement (a) provides the Company with the opportunity to gain business access into the South East Asian market, particularly Singapore and Indonesia, which is in line with the business direction and expansion policy of the Group; (b) offers a further extension to the Group's system integration business, in particular, the area relating to information technology solution providing; and (c) enriches the Group's customer base by Elipva's customer list which includes various government authorities, financial institutions and multinational companies in Singapore. In addition, the Share Swap (and the STT Subscription) will also enable the Company to bring in two reputable partners namely, STTC and Allwin Asia Inc. (a company controlled by Hong Kong Chinese Limited, a company listed on the main board of the Stock Exchange), both of which are Elipva Shareholders, to become Shareholders holding approximately 19.48% and 7.86% respectively of the issued share capital of the Company as enlarged by the issue of new Shares under the MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement. On the above bases, the Directors are of the view that the entering into of the Share Swap Agreement is in the best interests of the Company and its shareholders.

INFORMATION ON ELIPVA

Elipva is a Singaporean company engaged in the business of providing e-business applications, identity and access management, security infrastructure, human capital and financial management, system and enterprise applications integration.

For the past five months ended May 2004, the unaudited consolidated net deficit of Elipva amounted to approximately S\$3.98 million (representing approximately HK\$18.02 million) and recorded a net loss of S\$170,000 (representing approximately HK\$769,845). The audited consolidated net deficit of Elipva for the two years ended 31 December 2002 and 2003 amounted to approximately S\$2.96 million (representing

approximately HK\$13.40 million) and S\$3.81 million (representing approximately HK\$17.25 million) respectively. The audited consolidated total asset of Elipva for the two years ended 31 December 2002 and 2003 amounted to approximately S\$2.95 million (representing approximately HK\$ 13.36 million) and S\$2.33 million (representing approximately HK\$ 10.55 million) respectively. The audited consolidated net loss for the two years ended 2002 and 2003 amounted to approximately S\$1.49 million (representing approximately HK\$6.70 million) and S\$830,000 (representing approximately HK\$3.76 million) respectively.

Elipva is not a connected person of the Company as defined under the GEM Listing Rules. As at the date of the Share Swap Agreement, Elipva is owned as to approximately 56.48%, 34.88%, 7.85%, 0.44% and 0.35% by STTC, Allwin Asia, Inc., eMatrix Pte Ltd., Mr. Choong Ying Chuan and Mr. Chang Sau Sheong respectively. Further information on STTC is set out in the paragraph below. .

Upon completion of the Elipva Capitalization, Elipva will be owned as to approximately 58.14%, 33.56%, 7.55%, 0.42% and 0.33% respectively by STTC, Allwin Asia Inc., eMatrix Pte Ltd., Mr. Choong Ying Chuan and Mr. Chang Sau Sheong respectively. Under the Elipva Capitalisation, one of the existing shareholders, Allwin Asia Inc. will inject about S\$1.71 million in cash into Elipva to subscribe for 34,200,000 new shares in Elipva, whilst STTC, the major shareholder will apply its loans of S\$4.752 million and payables of S\$0.402 million due from Elipva to subscribe for 63,427,760 new shares in Elipva.

To the best knowledge, information and belief of the Directors after making reasonable enquiries, (a) the subscription prices per Elipva share paid by Allwin and STTC under the Elipva Capitalization were negotiated amongst and agreed upon by the Elipva Shareholders after taking into account the nature and amount of the assets given as consideration for the issue of the new Elipva shares; and (b) save as disclosed herein, there is no other understanding or arrangement between the Company, its connected persons, the Elipva Shareholders and their respective associates as at the date of this announcement.

The Directors confirm, to their best knowledge, information and belief after making reasonable enquiries, that none of the Elipva Shareholders and/or their respective subsidiaries is listed on any stock exchange.

Information on STTC

STTC is an investment holding company of info-communications companies. Headquartered in Singapore, STTC has operations and investments in Asia-Pacific, United States of America and Europe. STTC's group of companies offers a wide array of communications and information services, including fixed and mobile communications, global IP (Internet Protocol) network and services, Internet Business Exchange™ (IBX®) data centres and services, satellite and cable TV. STTC is a wholly-owned subsidiary of Singapore Technologies Pte Ltd., the largest technology-based multinational group in Singapore, with businesses in engineering, technology, infrastructure & logistics, property and financial services. STT is a wholly-owned subsidiary of STTC.

REASONS FOR THE MDC SUBSCRIPTION AND THE STT SUBSCRIPTION, AND USE OF PROCEEDS

Having considered the prevailing and anticipated market conditions, the business outlook, as well as the current financial position of the Group (reference is made to the interim report of the Company for the six months ended 30 June 2004), the Directors consider that it is in the best interests of the Company to raise further capital from the equity market by way of the MDC Subscription and the STT Subscription in order to place the Company in a stronger position to capture any business opportunities. The Directors further consider that the MDC Subscription and the STT Subscription will enhance the capital base of the Company, strengthen the Group's financial position, and facilitate the investment strategy of the Group in the coming year.

The Directors estimate that the net proceeds (after taking into account all relevant expenses incurred/to be incurred for the completion of all of the agreements named herein) derived from the MDC Subscription and the STT Subscription will be approximately HK\$13.34 million (or approximately HK\$0.044 per new Share). It is the intention of the Directors that out of such net proceeds:

- (a) approximately HK\$12 million will be used for development of the Group's mobile value added service business in the PRC; and
- (b) the remaining balance of approximately HK\$1.34 will be used as general working capital of the Group in respect of its business operations.

APPOINTMENT OF NEW DIRECTORS

The Share Swap Agreement provides that on completion, eMatrix Pte Ltd. (one of the Elipva Shareholders) and Allwin Asia Inc. will respectively be entitled to appoint Mr. Choong Ying Chuan and Mr. Peter Tay Yew Beng as additional Directors. Details with respect to the background and qualification of these persons as required under Rule 17.50(2) will be set out in the announcement(s) of the Company at the time of their respective appointment as Directors.

PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL OF THE COMPANY

The authorized share capital of the Company consists of 3,000,000,000 Shares, of which 1,690,608,000 Shares are in issue as at the date of this announcement. At the EGM, an ordinary resolution will be proposed to increase the authorized share capital of the Company from HK\$30,000,000 to HK\$60,000,000 by the creation of an additional 3,000,000,000 Shares.

EFFECT OF THE MDC SUBSCRIPTION, THE SHARE SWAP AND THE STT SUBSCRIPTION

Assuming that the Transaction Consideration is fixed at the maximum amount of S\$6,875,000 (approximately HK\$31,133,437.5), the shareholdings in the Company before and after the MDC Subscription, the Share Swap and the STT Subscription are summarised as follows:

| | M Dream China | Dynamate | Shenzhen Ingen Technology Company Limited | STTC and STT | Hong Kong Chinese Limited (through STTC and Hong Allwin Asia Inc) | Elipva Shareholders (other than Kong Chinese Limited) | Public | Total |
|---|-----------------------------------|-----------------------------------|---|-----------------------------------|--|---|-------------------------------------|-----------------------------------|
| Present shareholding | 360,000,000 Shares (21.29%) | 170,163,200 Shares (10.07%) | 147,440,000 Shares (8.72%) | 0% | 0% | 0% | 1,013,004,800 Shares (59.92%) | 1,690,608,000 Shares (100%) |
| Immediately after completion of the MDC Subscription Agreement but without taking into account the completion of the Share Swap Agreement and the STT Subscription Agreement | 512,941,176 Shares (27.82%) | 170,163,200 Shares (9.23%) | 147,440,000 Shares (8.00%) | 0% | 0% | 0% | 1,013,004,800 Shares (54.95%) | 1,843,549,176 Shares (100%) |
| Immediately after completion of the MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement | 512,941,176 Shares (19.68) | 170,163,200 Shares (6.53%) | 147,440,000 Shares (5.66%) | 507,862,364 Shares (19.48%) | 204,870,228 Shares (7.86%) | 50,668,143 Shares (1.94%) | 1,013,004,800 Shares (38.85%) | 2,606,949,911 Shares (100%) |

EGM

The Share Swap constitutes a very substantial acquisition under the GEM Listing Rules. Given that completion of the MDC Subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement are inter-conditional, the Elipva Shareholders are deemed as connected persons by the Stock Exchange and therefore the Share Swap and the STT Subscription are also treated as connected transactions under the GEM Listing Rules. Completion of each of the Share Swap Agreement and the STT Subscription Agreement is therefore subject to, inter alia, Independent Shareholders' approval at the EGM.

M Dream China is a substantial shareholder of the Company and thus is treated as a connected person of the Company under the GEM Listing Rules. The MDC Subscription constitutes a connected transaction for the Company under the GEM Listing Rules and requires Independent Shareholders' approval at the EGM, and where Elipva Shareholders and/or their respective associates have shareholding in the Company then they will abstain from voting at the EGM.

The voting of the Independent Shareholders to approve the MDC Subscription, Share Swap and the STT Subscription will be taken on a poll at the EGM.

The EGM will be convened as soon as practicable at which all necessary resolutions will be proposed to approve, amongst other things, the MDC Subscription Agreement, the Share Swap Agreement, the STT Subscription Agreement and the proposed increase in authorized share capital.

A circular containing, among other things, further details relating to the MDC Subscription, the Share Swap, the STT Subscription, the proposed increase in authorized share capital, a recommendation letter from the Independent Board Committee and a letter from an independent financial adviser to the Company will be dispatched to the Shareholders within 21 days after the publication of this announcement.

GENERAL

The Group is principally engaged in the provision of system solutions. The major system solutions offered by the Group include information technology consultation, information technology infrastructure services, mobile value added services and online game operation. Mobile value added services include mobile game operation, mobile phone ringtones, wall paper download and other services provided via, mobile platform in China.

Set out below is a descriptions of the fund raising exercise of the Company within the past 12 months prior to the date of this announcement:

1. Reference is made to the announcement of the Company dated 23 September 2003. The Company completed a placement of 400 million new shares on 23 September 2003, the net proceeds of which amounted to approximately HK\$15,300,000, of which approximately HK\$11,201,600 was used for

the acquisition of Shenzhen Huaruiyuan Company Limited, a company engaged in the provision of system integration services in China and specializes in the field of tax declaring software and total solution for the PRC taxation system, approximately HK\$2,898,400 was used for the working capital of the Group and approximately HK\$1,200,000 was used for the overseas marketing expenses.

2. Reference is made to the announcement of the Company dated 19 February 2004. The Company issued 150 million of new shares on 19 February, 2004, the net proceeds of which amounted to approximately HK\$8,426,000, of which approximately HK\$4,500,000 was used for the acquisition of M Dream Mobile Entertainment Limited, a company engaged in the provision of mobile value added services in the PRC., approximately HK\$1,876,000 was used for the working capital of the Group and approximately HK\$2,050,000 was used for the overseas marketing expenses.

Save as the aforesaid, the Company has undertaken no other fund raising exercise during the 12 months immediately preceding the date of this announcement. The Company will continue to identify and consider any other possible fund raising exercises. Such fund raising exercises (which may or may not materialise) will be made in strict compliance with the GEM Listing Rules. Further announcement(s) will be made in accordance with the GEM Listing Rules.

Press Articles

Reference is made to recent press articles in relation to possible acquisition of assets, which includes a possible acquisition of interest in Global Crossing Inc., by the Company. The Directors confirm that the Company has not commenced any negotiation with, nor has it been approached by, STT and/or the Lippo Group (as identified in such press articles) and any other parties with respect to any possible acquisition of assets, which includes part or all of the interest in Global Crossing Inc., by the Company, and that the Company does not have any current plan of making any such acquisition as at the date of this announcement. As stated in various publicly disclosed documents, the Company always welcomes any opportunity to expand and/or diversify its existing business operations, and to invest and/or acquire suitable business ventures, but which opportunities (save as disclosed above) are yet to be identified. To this end, the Company will continue to consider means of raising additional funds and/or working capital in order to place the Company in a position to take advantage of such opportunities if and when they should arise.

After making reasonable enquiries and based on the information currently available to them, the Directors confirm that the assets of the Elipva do not comprise any interest in Global Crossing Inc..

As the proposed transactions under the MDC Agreement, STT Subscription Agreement and the Share Swap Agreement may or may not proceed, Shareholders are advised to exercise caution when dealing in the Shares.

The Directors as at the date of this announcement are:

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| Mr. Koh Tat Lee, Michael | <i>Chairman and executive Director</i> |
| Mr. Xu Hanjie | <i>Executive Director</i> |
| Mr. Wong Shui Fun | <i>Executive Director</i> |
| Mr. Wong Kean Li | <i>Non-executive Director</i> |
| Mr. Ng Yat Cheung | <i>Non-executive Director</i> |
| Mr. Domingo Chen | <i>Independent non-executive Director</i> |
| Mr. Robert Wong | <i>Independent non-executive Director</i> |

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on GEM has been suspended with effect from 9:30 a.m. on 27 July 2004, pending the issue of this announcement. Application has been made for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 August 2004.

DEFINITIONS

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| “associates” | shall have the same meaning as defined in the GEM Listing Rules |
| “Business Days” | a day on which banks are generally open for business in Hong Kong and Singapore, but excluding a Saturday and a Sunday |
| “Company” or “Inworld” | M Dream Inworld Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM |
| “Completion Date” | the eighth Business Day after all the conditions precedent to the MDC Subscription Agreement, the Share Swap Agreement or the STT Subscription Agreement (as the case may be) have been fulfilled or waived in accordance with the terms of the relevant agreement or such other date as the parties to such agreement may mutually agree in writing |
| “Consideration Shares” | a maximum of 610,459,559 new Shares |
| “Director(s)” | director(s) of the Company |
| “Dynamate” | Dynamate Limited, a company wholly-owned by Mr. Koh Tat Lee, Michael, the Chairman and executive Director |
| “EGM” | an extraordinary general meeting of the Company to be convened and held to approve, amongst other things, the MDC Subscription Agreement, the Share Swap Agreement, the STT Subscription Agreement and the proposed authorized share capital of the Company. |

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| “Elipva” | Elipva Limited, a company incorporated under the laws of Singapore with limited liability |
| “Elipva Capitalization” | the implementation of certain transactions by Elipva, which include, inter alia, the subscription of new Elipva shares by Allwin Asia Inc. and STTC and the capitalization of net payables and shareholder’s loans, due and owing by Elipva to STTC prior to completion of the Share Swap, details of which are set out in the Share Swap Agreement |
| “Elipva Group” | Elipva and its subsidiaries |
| “Elipva Latest Accounts” | the management accounts of Elipva as at the Month End Date consisting of an unaudited consolidated balance sheet of Elipva Group as at the Month End Date and an unaudited consolidated profit and loss statement for the period from 1st January 2004 to the Month End Date, taking into account completion of the Elipva Capitalization |
| “Elipva Shareholders” | STTC, Allwin Asia, Inc., eMatrix Pte Ltd., Mr. Choong Ying Chuan and Mr. Chang Sau Sheong |
| “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 |
| “Independent Board Committee” | an independent board committee to be appointed by the board of Directors of the Company to advise the Independent Shareholders in respect of the MDC Subscription, the Share Swap and STT Subscription |
| “Independent Shareholders” | Shareholders other than M Dream China and its associates, and where applicable, Elipva Shareholders and/or their respective associates |
| “Issue Price” | HK\$0.051 per Consideration Share |

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| “Listing Committee” | the listing committee of GEM |
| “Long Stop Date” | 18 November 2004, or such other date as parties to the MDC Subscription Agreement, the Share Swap Agreement or the STT Subscription Agreement (as the case may be) may subsequently agree in writing. |
| “MDC Subscription” | the conditional subscription by M Dream China of the MDC Subscription Shares pursuant to the MDC Subscription Agreement |
| “MDC Subscription Agreement” | the conditional subscription agreement dated 30 July 2004 between M Dream China and the Company |
| “MDC Subscription Shares” | 152,941,176 new Shares |
| “M Dream China” | M Dream China (Holdings) Limited, a substantial shareholder of the Company |
| “Month End Date” | 30 September, 2004 or such other date as the Company and Elipva Shareholders may subsequently agree in writing after the date of the Share Swap Agreement |
| “Net Asset Value of Elipva” | the difference between the value of total assets less the value of total liabilities as shown in the Elipva Latest Accounts and taking into account the Elipva Capitalization as if the same has been completed |
| “PRC” | the People’s Republic of China |
| “S\$” | Singapore dollars, the lawful currency of Singapore and for the purpose of the Share Swap Agreement, S\$1.00 = HK\$4.5285 |
| “Singapore” | the Republic of Singapore |
| “Share(s)” | Ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of Shares |
| “Share Swap” | the conditional acquisition of the entire issued share capital of Elipva by the Company in consideration of the issue and allotment of the Consideration Shares pursuant to the Share Swap Agreement |

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| “Share Swap Agreement” | the conditional share swap agreement dated 30 July 2004 between the Elipva Shareholders, the Company and Elipva |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “STT” | Stt Ventures Ltd., a wholly-owned subsidiary of STTC |
| “STTC” | STT Communications Limited, a company incorporated under the laws of Singapore with limited liability |
| “STT Subscription” | the conditional subscription by STT of the STT Subscription Shares pursuant to the STT Subscription Agreement |
| “STT Subscription Agreement” | the conditional subscription agreement dated 30 July 2004 between STT and the Company |
| “STT Subscription Shares” | 152,941,176 new Shares |
| “Subscription Price” | HK\$0.051 per Share |
| “substantial shareholder” | shall have the same meaning as defined in the GEM Listing Rules |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Three Agreements” | the MDC subscription Agreement, the Share Swap Agreement and the STT Subscription Agreement |
| “Transaction Consideration” | the consideration to be paid by the Company for the Share Swap as described in the paragraph headed “Transaction Consideration” in this announcement |

By Order of the Board
M Dream Inworld Limited
Koh Tat Lee, Michael
Chairman

Hong Kong, 19 August 2004

* *For identification purpose only*

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: (1) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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