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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)**

### **(1) SHARE REORGANISATION**

### **(2) SUBSCRIPTION OF HK\$14.04 MILLION CONVERTIBLE BOND**

### **(3) APPLICATION FOR THE GRANTING OF THE WHITEWASH WAIVER**

**AND**

### **(4) APPLICATION FOR TRADING RESUMPTION**

#### **SHARE REORGANISATION**

The Board proposed the Share Reorganisation which involves the Share Consolidation, the Share Reduction and the Share Premium Cancellation.

#### **FORMAL SUBSCRIPTION AGREEMENT AND WHITEWASH WAIVER**

On 12th June, 2006, the Company entered into the Preliminary Subscription Agreement with Mr. Yu in relation to the subscription of the Convertible Bond at the conversion price HK\$0.039 per Share with a total subscription price of HK\$14.04 million. Details of which were disclosed in the announcement of the Company dated 19th July, 2006.

On 10th October, 2006, the Company entered into the Formal Subscription Agreement with the Subscriber which replaced the Preliminary Subscription Agreement.

Under Rule 26 of the Takeovers Code, upon Completion and on full conversion of the Convertible Bond, the Subscriber would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Subscriber and its Concert Parties. An application will be made by the Subscriber to the Executive for the Whitewash Waiver in respect of the obligation to make a mandatory offer upon conversion of the Convertible Bond. The Executive may or may not grant the Whitewash Waiver. The grant of the Whitewash Waiver, if successfully applied for, will be subject to passing of a resolution by the Independent Shareholders by way of a poll at the EGM and is a condition to the Completion.

\* For identification purpose only

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares and the New Shares to be issued on conversion of the Convertible Bond.

## **GENERAL**

An independent board committee of the Board, comprising all the independent non-executive Directors will be appointed to consider the Formal Subscription Agreement and the Whitewash Waiver. An independent financial adviser will be appointed to advise the independent board committee and the Shareholders regarding the Formal Subscription Agreement and the Whitewash Waiver. A further announcement will be made when the independent financial adviser is appointed.

A circular of the Company containing details of the Share Reorganisation, the Formal Subscription Agreement, the Whitewash Waiver, the advice of the independent committee of the board of directors, the advice of the independent financial adviser and notice of EGM, will be sent to the Shareholders as soon as practicable.

Trading in the securities of the Company on the GEM has suspended with effect since 4th October, 2005. The securities of the Company will continue to be suspended until the concerns of the Exchange, among others, are satisfactorily addressed.

Shareholders should be aware of and take note that the Share Reorganisation and the Formal Subscription Agreement are conditional upon satisfaction of the conditions precedent set out in the paragraphs headed “Conditions of the Share Reorganisation” and the paragraph headed “Conditions of the Formal Subscription Agreement”. Therefore, the Share Reorganisation and the Formal Subscription Agreement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

## **PROPOSED SHARE REORGANISATION**

The Board proposed the Share Reorganisation which involves the Share Consolidation, the Share Reduction and the Share Premium Cancellation.

### **Share Consolidation**

The Share Consolidation involves the consolidation of every 10 issued shares of HK\$0.01 each in the capital of the Company into one Consolidated Shares of HK\$0.10 each (the “Share Consolidation”). As at date of this announcement, the authorized share capital of the Company is HK\$60,000,000 divided into 6,000,000,000 Shares, which will be equivalent to 600,000,000 Consolidated Shares immediately following the Share Consolidation becoming effective. As at date of this announcement, there is 2,606,949,911 Shares in issue. On the basis of such issued share capital, there will be 260,694,991 Consolidated Shares in issue immediately following the Share Consolidation becoming effective. As at date of this announcement, the outstanding options of the Company is 54,000,000 Shares.

## **Capital Reduction and Share Premium Cancellation**

The Capital Reduction will involve the reduction of the par value of the issued Consolidated Shares from HK\$0.10 per Consolidated Share to HK\$0.01 per New Share by reducing the paid up capital to the extent of HK\$0.09 on each of the then Consolidated Shares which will give rise to a credit of HK\$23,462,549.20 on the basis of the then 260,694,991 Consolidated Shares in issue. The Share Premium Cancellation will involve the cancellation of the entire amount of approximately HK\$23,462,549.20 standing to the credit of the share premium account of the Company as at the effect date of the Capital Reorganisation.

The credits of HK\$23,462,549.20 arising from the Capital Reduction and the Share Premium Cancellation will be charged to the retain earnings of the Company.

## **Effect of the Share Reorganisation**

Based on the existing Company's authorized share capital of HK\$60,000,000 divided into 6,000,000,000 Shares and existing issued share capital of HK\$26,069,499.11 divided into 2,606,949,911 Shares, upon completion of the Share Reorganisation, the authorized share capital of the Company will be HK\$60,000,000 divided into 600,000,000 New Shares, and the issued share capital will be HK\$2,606,949.91 divided into 260,694,991 New Shares.

The Shares are currently traded in board lots of 8,000. Assuming the Share Reorganisation becomes effective, the board lots for the trading of the New Shares will remain at 8,000 New Shares.

The New Shares will rank pari passu in all respects with each other. Other than the expenses incurred in relation to the Share Reorganisation, the implementation thereof will not alter the underlying assets, business operations management of financial position of the Company or the relative interests or rights of the Shareholders. Save as disclosed above, the Share Reorganisation itself will not have any material effect on the financial position of the Company.

## **Conditions of the Share Reorganisation**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares before dispatch of the Company's circular regarding, inter alia, the Share Reorganisation and all necessary arrangement will be made for the New Shares to be admitted into the CCASS established and operated by the HKSCC.

The Share Reorganisation will be conditional upon:

- (a) the passing of the necessary resolution(s) by the Shareholders to approve the Share Reorganisation at the EGM;
- (b) compliance with the laws of the Cayman Islands, any applicable legal and regulatory requirements and any conditions which the Cayman Islands Court may impose;
- (c) the confirmation of the Share Reorganisation by the Cayman Islands Court and the registration by the Registrar of the Companies in the Cayman Islands of a copy of the Cayman Islands Court order and the minute containing the particulars required under the Companies Law under the laws of the Cayman Islands; and

- (d) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Shares in issue.

### **Free Exchange of Certificate(s) for New Shares**

The effective date of the Share Reorganisation is not ascertainable at present and an application will be made to the Cayman Islands court in respect of the Capital Reduction. Further announcement(s) on this matter including the effective date of the Share Reorganisation will be made in due course. Arrangements will be made so that, subject to the Share Reorganisation becoming effective, the Shareholders may submit their existing certificates for the Shares in exchange for new certificates for the New Shares at the expense of the Company. After the expiry of such period, existing share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 per existing certificate or new certificate, whichever the higher number of certificates (or such higher amount as may from time to time be allowed by the Stock Exchange) may be.

Given that every 10 shares will be consolidated into one Consolidated Share, there will be no fraction of New Shares. In order to alleviate the difficulties arising from the existence of odd lots of New Shares, the Company has agreed to procure an agent to arrange for matching service regarding the sale and purchase of odd lots of New Shares. Further details in respect of the odd lots arrangement and colour of the new share certificates will be set out in the circular of the Company to be dispatched to Shareholders. Shareholders should note that successful matching of the sale and purchase of odd lots of New Shares is not guaranteed.

Details of arrangements and timetable regarding such free exchange of share certificates, odd lot trading (if any) and other relevant trading arrangements will be set out in the circular to be dispatched to the Shareholders for such purpose. Arrangements will also be made to ensure the New Shares are accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS upon the Share Reorganisation becoming effective.

### **Reasons for the Share Reorganisation**

Based on the latest audited accounts of the Company for the year ended 31st December, 2005, the net asset deficit per share is HK\$0.0184 share. In view of the substantial premium of the existing par value over the net asset deficit per Share, the Directors believes that implementation of the Share Reorganisation will provide better flexibility in pricing any new issue of the New Shares of the Company in conducting fund raising exercises for future expansion. The Board is of the view that the Share Reorganisation is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Expected Time Table**

Further announcement will be made as regards the time table of the Share Reorganisation and the completion of the Formal Subscription Agreement and such time table will be set out in the aforesaid circular.

## **GENERAL MANDATES**

The Company proposes to grant the Directors a general mandate to allot, issue and deal with additional New Shares up to a limit of 20% of the aggregate nominal value of New Shares in issue of the Company as at the date of passing the resolution regarding the Share Reorganisation. The Directors believe that the grant of the general mandate is in the best interests of the Company and Shareholders as a whole. Subject to the passing of the relevant resolutions to approve the general mandate, the Directors would be authorized to exercise the powers of the Company to issue a maximum of 52,138,998 New Shares.

## **FORMAL SUBSCRIPTION AGREEMENT**

On 12th June, 2006, the Company entered into the Preliminary Subscription Agreement with Mr. Yu in relation to the subscription of the Convertible Bonds at the conversion price HK\$0.039 per Share with a total subscription price of HK\$14.04 million. Details of which were disclosed in the announcement of the Company dated 19th July, 2006.

On 10th October, 2006, the Company entered into the Formal Subscription Agreement with the Subscriber which replaced the Preliminary Subscription Agreement.

### **Parties**

Issuer : the Company

Subscriber : Ample Field Limited, a company incorporated in the British Virgin Island and is 100% beneficially owned by Mr. Yu

The Subscriber with its ultimate beneficial owner, Mr. Yu, are independent of and not connected with the Company, any of the directors, chief executive, substantial shareholders of the Company or its subsidiaries, or any associates of any of them (as defined under the GEM Listing Rules).

### **Summary of the principal terms of the Convertible Bonds**

HK\$14.04 million redeemable convertible bonds of the Company which shall be convertible at the conversion price of HK\$0.039 per New Share, subject to adjustments.

#### *Price*

Par value of the principal amount of the Convertible Bonds, HK\$14.04 million in aggregate.

#### *Maturity*

The fifth anniversary of the date of issue of the Convertible Bonds.

#### *Coupon*

The prime rate for Hong Kong dollar loan as quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited and is payable annually in arrears.

#### *Conversion price and Conversion rights*

At the option of the Subscriber, the Convertible Bonds can be converted into the New Shares of HK\$0.01 each in the authorized share capital of the Company after the Share Reorganisation at the Conversion Price.

Based upon the Conversion Price of HK\$0.039 per New Share, a total of 360,000,000 New Shares would fall to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bond.

The Conversion Price of HK\$0.039 per Subscription Shares was determined after arm's length negotiations between the Company and the Subscriber, after considering the existing liabilities and indebtedness of the Group, the Group's net asset deficit as at 31st December, 2005. The Board is of the view that the terms of the Subscription are fair and reasonable and in the interests of the Shareholders as a whole.

Assuming the Share Reorganisation becoming effective, the Conversion Price represents a discount of approximately: (1) 64.55% to the closing price of HK\$0.11 per New Share as quoted on the Stock Exchange on the Last Trading Day; (2) a discount of approximately 64.55% to the average closing price of HK\$0.11 per New Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day; and (3) a premium of HK\$0.2226 per New Share over the Group's audited net asset deficit of HK\$0.184 per New Share as at 31st December, 2005.

#### *Conversion period*

The five year period from the date of the issue and for the avoidance of doubt, including the Final Maturity Date.

#### **Conditions of the Formal Subscription Agreement**

The issue of the Convertible Bond is subject to:

- (a) completion of due diligence review to be conducted by the Subscriber to its satisfaction on the assets, liabilities, operations and affairs of the Group;
- (b) Shareholders' approval at an extraordinary general meeting to be convened and held for the purpose of approving: (i) the Share Reorganisation and (ii) the Formal Subscription Agreement and the transactions contemplated hereunder, including but not limited to the issue of the Convertible Bond to the Subscriber;
- (c) the Share Reorganisation becoming effective;
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the New Shares in issue immediately following the Share Reorganisation, and the New Shares which may fall to be allotted and issued upon the exercise of the conversion right attaching to the Convertible Bond;
- (e) the cancellation of the share options (if any) granted under the share option scheme(s) of the Company and outstanding as at the date of the Formal Subscription Agreement;



- (f) the passing of the Shareholders (excluding any person(s), if any, who are required to abstain from voting under the GEM Listing Rules and the Takeovers Code) at the EGM to be convened and held of an ordinary resolution (such vote shall be taken by way of poll) to approve the grant of a waiver in respect of the obligation of the Subscriber and the parties acting in concert with it as a result of the subscription and the exercise of the conversion rights attaching to the Convertible Bond of the Convertible Bond in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code;
- (g) the Executive Director for the time being of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director granting to the Subscriber and the parties acting in concert with it a waiver of the obligation to make a mandatory general offer to the Shareholders in respect of the New Shares not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with it as a result of the subscription and the exercise of the conversion rights attaching to the Convertible Bond in accordance with Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code;
- (h) no indication being received on or before Completion from the Stock Exchange or the SFC to the effect that the listing of the New Shares may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the Formal Subscription Agreement; and
- (i) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Company in relation to the Agreement and the transactions contemplated in the Agreement including but not limited to the approval of the Shareholders in relation to the arrangement of the Convertible Bonds.

The Subscriber may at its absolute discretion to waive condition (a) above at any time by notice in writing to the Company. The other conditions are incapable of being waived.

### **Application for listing**

Application will be made by the Company to the Stock Exchange for approval to the issue of the Convertible Bond and the grant of listing of and permission to deal in the New Shares which may be issued on the exercise of the conversion rights attached to the Convertible Bonds.

The Convertible Bond will not be listed on the Stock Exchange or any stock exchange.

### **Reason for the issue and use of proceeds**

The net proceeds of the issue will be approximately HK\$13.5 million, as to HK\$11 million of which shall be applied to pay off the creditors of the Company and the balance towards the general working capital for the Company.

### **Fund raising activities of the Company during the past 12 months**

The Company has not effected any capital raising activities by way of placing of new shares, rights issue or open offer of the existing Shares in the 12 month immediately before the date of this announcement.

## **THE WHITEWASH WAIVER**

Upon Completion and assuming full exercise of the conversion rights under the Convertible Bond, the Subscriber will be interested in about 58% of the issued share capital of the Company as enlarged by the New Shares issued upon Conversion. Under the Takeovers Code, in the absence of the Whitewash Waiver, the Subscriber should be obliged to make a mandatory general offer to acquire all the New Shares other than those already owned by the Subscriber and his Concert Parties.

An application will be made by the Subscriber to the Executive for the Whitewash Waiver. Pursuant to Note 1 to Notes on Dispensation from Rule 26 of the Takeovers Code, the grant of which, will be subject to Shareholders' approval. The grant of the Whitewash Waiver is one of the condition precedent to the Completion. If the Whitewash Waiver is granted to the Subscriber and its concerted parties, they may not be required to make a mandatory general offer pursuant to the Takeovers Code as a result of conversion of the Convertible Bond. Upon Completion and assuming full conversion of the Convertible Bonds, the Subscriber will hold more than 50% of the then issued share capital of the Company. Accordingly, so long as the minimum 25% public float requirement of the Listing Rules is observed, the Subscriber may purchase for additional New Shares without triggering any further obligation for a general offer under the Takeovers Code.

There were no dealings in the Shares by the Subscriber for the past 6 months prior to the date of this announcement.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Whitewash Waiver. The resolution in respect of the Whitewash Waiver will be voted on by the Independent Shareholders by way of a poll. The Subscriber and its Concerted Parties will abstain from the voting on this resolution. As Mr. Koh has been involved in the negotiation of the terms of the Formal Subscription Agreement, Mr. Koh and his beneficially owned Dynamate Limited shall abstain from voting in the resolution considering the Whitewash Waiver.

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

Upon full conversion of the Convertible Bond and assuming no further issue of New Shares other than the New Shares issued upon conversion, the Subscriber will be interested in 360,000,000 New Shares, representing about 58 % of the issued share capital of the Company as enlarged by the conversion of the Convertible Bond.



Set out below is a table showing the existing shareholding structure of the Company and its structure on Completion and upon conversion of the Convertible Bonds.

	Existing		Upon Completion and Share Reorganisation but before the conversion of the Convertible Bond		Upon Completion and Share Reorganisation and after the conversion of the Convertible Bond in full	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Temasek Holdings (Private) Limited (Note 1)	507,862,364	19.48	50,786,236	19.48	50,786,236	8.18
Singapore Technologies Telemedia Pte Limited (Note 1)	507,862,364	19.48	50,786,236	19.48	50,786,236	8.18
STT Communications Ltd (Note 1)	507,862,364	19.48	50,786,236	19.48	50,786,236	8.18
stt Ventures Ltd (Note 1)	507,862,364	19.48	50,786,236	19.48	50,786,236	8.18
Dynamate Limited (Note 2)	323,104,376	12.39	32,310,438	12.39	32,310,438	5.21
Koh Tat Lee, Michael (Note 2)	323,104,376	12.39	32,310,438	12.39	32,310,438	5.21
Yu Chung Choi, Chaucer	307,000,000	11.78	307,000,000	11.78	30,700,000	4.95
Madam Lidya Suryawaty (Note 3)	204,870,228	7.86	20,487,023	7.86	20,487,023	3.30
Dr. Mochtar Riady (Note 3)	204,870,228	7.86	20,487,023	7.86	20,487,023	3.30
Lanius Limited (Note 3)	204,870,228	7.86	20,487,023	7.86	20,487,023	3.30
Lippo Cayman Limited (Note 3)	204,870,228	7.86	20,487,023	7.86	20,487,023	3.30
Lippo Limited (Note 3)	204,870,228	7.86	20,487,023	7.86	20,487,023	3.30
Lippo China Resources Limited (Note 3)	204,870,228	7.86	20,487,023	7.86	20,487,023	3.30
HKCL Holdings Limited (Note 3)	204,870,228	7.86	20,487,023	7.86	20,487,023	3.30
Hong Kong Chinese Ltd (Note 3)	204,870,228	7.86	20,487,023	7.86	20,487,023	3.30
Allwin Asia Inc. (Note 3)	204,870,228	7.86	20,487,023	7.86	20,487,023	3.30
Shenzhen Ingen Technology Company Limited (Note 4)	147,440,000	5.66	14,744,000	5.66	14,744,000	2.38
The Subscriber	0	0	0	0	360,000,000	58.00
Public	1,116,672,943	42.83	1,116,672,943	42.83	111,667,294	17.99
<b>Total</b>	<b>2,606,949,911</b>	<b>100</b>	<b>260,694,991</b>	<b>100</b>	<b>620,694,991</b>	<b>100</b>

Notes:

1. These shares are held by stt Ventures Limited, which is a wholly-owned subsidiary of STT Communications Limited (“STTC”). 99.99% of the interest of STTC is in turn held by Singapore Technologies Telemedia Pte Ltd, which is in turn a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited. Accordingly, Temasek Holdings (Private) Limited, Singapore Technologies Telemedia Pte Ltd and STTC are deemed to be interested in the shares beneficially owned by stt Ventures Limited. All of them are not a Concert Parties of the Subscriber.
2. These shares are held by Dynamate Limited of which the entire issued capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited. All of them are not a Concert Parties of the Subscriber.

3. These shares are held by Allwin Asia Inc., which is a wholly-owned indirect subsidiary of Hongkong Chinese Limited. 60.97% of the interest of Hongkong Chinese Limited is in turn held by HKCL Holdings Limited, which is in turn a wholly-owned indirect subsidiary of Lippo China Resources Limited. 71.13% of the interest of Lippo Chinese Resources Limited is in turn indirectly held by Lippo Limited.

Lippo Cayman Limited is the holding company of Lippo Limited through direct holding and through wholly-owned subsidiaries, one of which is Lippo Capital Limited which control an approximate 50.47% interest in Lippo Limited.

Lanius Limited is the registered shareholder of the entire issued share capital of Lippo Cayman Limited and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius Limited is accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady is not the registered holder of any shares in issued share capital of Lanius Limited.

According, Madam Lidya Suryawaty, Dr. Mochtar Riady, Lanius Limited, Lippo Cayman Limited, Lippo Limited, Lippo China Resources Limited, HKCL Holdings Limited and Hongkong Chinese Limited are deemed to be interested in the shares beneficially owned by Allwin Asia Inc. All of them are not a Concert Parties of the Subscriber. or a connected party of the Company

4. Shenzhen Ingen Technology Company Limited is not a Concert Parties of the Subscriber or a connected party of the Company.

As at the date of this announcement, save for options granted to directors and employees of the Group to subscribe for a total of 54,000,000 Shares in which 16,000,000 Shares may be subscribed at HK\$0.036 per Share and 38,000,000 Shares may be subscribed at HK\$0.034 per Share under the share option scheme of the Company, there were no other outstanding options, warrants or convertible securities in the Company.

### **Information of the Subscriber**

The Subscriber is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Yu. Mr. Yu is a resident in Hong Kong and has over 17 years of financial market experience. He has worked in the investment banking field in Hong Kong and has his own financial services business. Mr. Yu was the chairman of the GEM listed company Infoserve Technology Corp. from 2003 to 2005.

The Subscriber and its beneficial owner are independent of and not connected with the Company, any of the directors, chief executive, substantial shareholders of the Company or its subsidiaries, or any associates of any of them as associates defined under the GEM Listing Rules.

### **Further intention of the Subscriber**

The Subscriber intends to maintain the existing business of the Company in information technology service. The Subscriber and its associates have no intention to inject asset or business to the Group.

## **INFORMATION ON THE COMPANY**

### **Principal activities of the Company**

The Company is an investment holding company. Through its subsidiaries, the Group is principally engaged in the provision of system solutions, including e-services/consulting, internet application software and enterprise software/services such as e-business applications, identity and access management, security infrastructure, human capital and financial management, system and enterprise application integration.

### **Litigation of the Company**

On 19th July, 2006, the Company announced that a winding-up petition was served onto the Company on 12th June, 2006. It was alleged in the winding-up petition that the Company was indebted to the petitioner (“Petitioner”) for a sum of HK\$840,193 arising from legal services provided by the Petitioner. The winding-up petition was discontinued upon settlement with the Petitioner on 9th October, 2006.

On 25th September, 2006, a writ of summons was served onto the Company by a plaintiff for a claim against the Company in the amount of approximately HK\$2 million. The Company is in the process of seeking legal advice on the case and shall update the shareholders as and when appropriate.

Save for the abovementioned litigation, there is no other outstanding litigation against the Company.

## **MAINTAINING THE LISTING OF THE COMPANY**

It is the intention of the Directors to maintain the listing of the Company on the GEM after Completion. The Directors will undertake to the Stock Exchange that appropriate steps will be taken to ensure that there exists sufficient public float in respect of the Shares immediately following Completion. The Subscriber has undertaken to the Company that it will not convert any part of the Convertible Bond if immediately after the issue of New Shares following such conversion, there may be insufficient public float for the Shares as required by the GEM Listing Rules. The Directors including any new Directors may be appointed will jointly and severally undertake to the Stock Exchange that appropriate steps will be taken to ensure that there exists sufficient public float for the Shares immediately following Completion.

The Stock Exchange has stated that it will closely monitor trading in the Shares if less than 25% of the Shares are held by the public. If the Stock Exchange believes that:

- a false market exists or may exist in the Shares; or
- there are too few Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares. In this connection, it should be noted that upon Completion, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. The Stock Exchange has the discretion to require the Company to issue a circular to its Shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of transactions and any such transactions may result in the Company being treated as if it were a new listing applicant.

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SECURITIES OF THE COMPANY**

Trading in the securities of the Company on the GEM of the Stock Exchange was suspended on 4th October, 2005. The securities of the Company will continue to be suspended until the concerns of the Exchange, among others, are satisfactorily addressed.

## **GENERAL**

An independent board committee comprising three independent non-executive directors of the Company will be formed to consider the Subscription Agreement and the Whitewash Waiver. An independent financial adviser will be appointed to advise the independent board committee regarding the Formal Subscription Agreement and the Whitewash Waiver. A further announcement will be made when the independent financial adviser is appointed. The Subscriber and his Concert Parties will abstain from voting on the resolutions to approve the Formal Subscription Agreement and the Whitewash Waiver.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares and the New Shares to be issued on conversion of the Convertible Bond. The listing approval will only be granted upon resumption of trading of the Company.

A circular of the Company containing details of the Share Reorganisation, the Formal Subscription Agreement, the Whitewash Waiver, the advice of the independent committee of the Board of Directors, the advice of the independent financial adviser and the notice of the EGM, will be sent to the shareholders of the Company as soon as practicable.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	The board of Directors
“CCASS”	The Central Clearing and Settlement System
“Company”	M Dream Inworld Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM of the Stock Exchange
“Completion”	completion of the Formal Subscription Agreement

“Concert Parties”	has the meaning ascribed to “persons acting in concert” under the Takeovers Code
“Consolidated Share”	Shares of HK\$0.10 each in the capital of the Company immediately following the Share Consolidation becoming effective
“Conversion”	At the option of the Subscriber, the Convertible Bonds can be converted into New Shares subject to the terms and conditions of the Convertible Bond
“Conversion Price”	The initial conversion price of HK\$0.039 per New Shares under the Convertible Bond, subject to adjustment
“Convertible Bond”	the convertible bond to be issued by the Company to the Subscriber with a principal amount of HK\$14,040,000, which entitles the holder thereof to convert into New Shares at any time after the date of the Completion and for the avoidance of doubt, including the Final Maturity Date at the Conversion Price
“Directors”	The directors of the Company from time to time
“EGM”	The extraordinary general meeting of the Company to be convened for the purpose of passing the resolutions, amongst other things, the Share Reorganisation, the Formal Subscription Agreement and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Maturity Date”	The fifth anniversary of the date of issue of the Convertible Bonds
“Formal Subscription Agreement”	The subscription agreement entered into between the Company and the Subscriber dated 10th October, 2006
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	The Company and its subsidiaries and associates
“HKSCC”	The Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Shareholders”	Shareholders other than the Subscriber and its Concert Parties or others who are interested or involved in the proposed Subscription
“Mr. Koh”	Mr. Koh Tat Lee, Michael
“Mr. Yu”	Mr. Yu Shu Kuen
“Last Trading Day”	3rd October, 2006, the last trading day immediately before the trading suspension of the Company on 4th October, 2006
“New Shares”	shares of HK\$0.01 each in the capital of the Company upon completion of the Share Reorganisation
“PRC”	the People’s Republic of China
“Preliminary Subscription Agreement”	The subscription agreement entered into between Mr. Yu Shu Kuen, the beneficial owner of the Subscriber and the Company dated 12th June, 2006
“SFC”	Securities and Futures Commission
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company before the Share Reorganisation
“Share Consolidation”	Every 10 issued shares of HK\$0.01 each in the capital of the Issuer into one share of HK\$0.10 each.
“Share Premium Cancellation”	cancellation of the share premium arising from the Capital Reduction
“Share Reduction”	the reduction of the par value of the Consolidated Shares from HK\$0.10 per Consolidated Share to HK\$0.01 per New Share by reducing the paid up capital to the extent of HK\$0.09 on each of the then issued Consolidated Share
“Share Reorganisation”	the Share Consolidation, the Capital Reduction and the Share Premium Cancellation
“Shareholder(s)”	Holder(s) of Share(s) or New Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ample Field Limited, the subscriber of the Convertible Bond
“Subscription Shares”	In aggregate 360,000,000 New Shares based upon the Conversion Price of HK\$0.039 and would fall to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds



“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver from the obligation to make a general offer under the Takeovers Code pursuant to Note 1 to Notes on dispensations from Rule 26 of the Takeovers Code
“HK\$”	Hong Kong dollar(s), the lawful currency in Hong Kong
“%”	Per cent

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

Hong Kong, 24th October, 2006

*As at the date of this announcement, the board of Directors consists of Mr. Koh Tat Lee, Michael, Mr. Domingo Chen and Dr. Choong Ying Chuan, being the executive Directors, Mr. Wong Kean Li, being the non-executive Director, Mr. Cheung Wai Shing, Mr. Tsang Kwok Wai and Mr. Chu, Ray, being the independent non-executive directors.*

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

*This announcement will remain on the “Latest Company Announcement” page of the GEM website for least 7 days from the date of its publication.*