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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)

### **PLACING OF NEW SHARES UNDER SPECIAL MANDATE AND RESUMPTION OF TRADING**

**Placing Manager**



On 27 November 2007 the Company entered into the conditional Placing Agreement with the Placing Manager for the Placing of up to an aggregate of 180,000,000 new Shares to not less than six Placees on best efforts basis at the Placing Price of HK\$0.25 per Placing Share.

The Placing Shares will be allotted and issued to not less than six Placee(s) and represent, in aggregate, (i) approximately 29.00% of the existing issued share capital of the Company; and (ii) approximately 22.48% of the issued share capital of the Company as enlarged by the Placing.

The Placing Price of HK\$0.25 per Placing Share represents (i) a discount of approximately 33.69% to the average closing price of approximately HK\$0.377 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 23 November 2007, being the last trading day immediately before the date of this announcement; and (ii) a discount of approximately 37.50% to the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on 23 November 2007, being the last trading day immediately before the date of this announcement.

\* *for identification purposes only*

The gross proceeds of the Placing, assuming the maximum of 180,000,000 Placing Shares under the Placing, will amount to approximately HK\$45 million and the corresponding net proceeds receivable by the Company are estimated to be approximately HK\$43 million after deducting the placing commission and all estimated costs, fees and expenses to be borne by the Company. It is presently expected that the net proceeds will be applied towards the general working capital and/or any suitable investments or projects which are considered by the Directors to be in the interests of the Company and the Shareholders as a whole. As at the date of this announcement, no such investments or projects have been identified yet.

A circular containing further details of the Placing and a notice of EGM will be despatched to the Shareholders in compliance with the GEM Listing Rules as soon as possible.

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange from 9:30 a.m. on 26 November 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 28 November 2007.

## **THE PLACING AGREEMENT**

**Date** : 27 November 2007

**Issuer** : M Dream Inworld Limited

**Placing Manager** : CCB International Capital Limited, an Independent Third Party

### **Placees**

Pursuant to the terms and conditions of the Placing Agreement, the Placing Shares will be placed on a best efforts basis to not less than six Placee(s) whom the Placing Manager has procured to purchase the Placing Shares. The Placee(s) and, if applicable, their respective ultimate beneficial owners, will be Independent Third Parties.

It is not expected that any Placee(s) will become a substantial Shareholder (as defined in the GEM Listing Rules) as a result of the Placing.

### **Placing Shares**

Subject to the terms and conditions of the Placing Agreement, the Placing Shares will be allotted and issued to the Placee(s) and represent, in aggregate, (i) approximately 29.00% of the existing issued share capital of the Company; and (ii) approximately 22.48% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum of 180,000,000 Placing Shares under the Placing.

The Placing Shares will rank *pari passu* in all respects with the Shares in issue at the date of allotment and issue and in particular will rank in full for all dividends and other distributions declared made or paid at any time after the date of completion of the Placing.

## **Placing Price**

The Placing Price of HK\$0.25 per Placing Share represents (i) a discount of approximately 33.69% to the average closing price of approximately HK\$0.377 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 23 November 2007, being the last trading day immediately before the date of this announcement; and (ii) a discount of approximately 37.50% to the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on 23 November 2007, being the last trading day immediately before the date of this announcement. The net Placing Price is approximately HK\$0.24 per Placing Share.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Manager. In determining the Placing Price, the Company has taken into consideration of various factors, including but not limited to the fact that as disclosed in its interim results announcement and its quarterly results announcement, the Company suffers from net liabilities and net loss and the trading in Shares had just been resumed from the long suspension in October 2007.

On the basis set out above and taking into account that the Placing will be subject to the approval from the Shareholders at the EGM, the Directors consider that despite the deep discount and dilution effect of the Placing, the Placing Price and the terms and conditions of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **Placing commission**

The Company will pay the Placing Manager a placing commission of 2.5% of the amount equal to the Placing Price multiplied by the number of Shares placed by the Placing Manager.

## **Special mandate to issue the Placing Shares**

The Placing Shares will be allotted and issued pursuant to the special mandate sought to be granted to the Directors at the EGM.

## **Conditions of the Placing**

The Placing is conditional upon the fulfillment of each of the following conditions from time to time by 31 December 2007 or such other date as the parties thereto may agree:

- (1) the granting by the GEM Listing Committee the listing of, and permission to deal in, the Placing Shares;
- (2) the Company obtaining all necessary consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the Placing Agreement, if applicable;
- (3) the approval of the Shareholders at the EGM having been obtained in respect of the allotment and issue of the Placing Shares pursuant to the Placing in accordance with the GEM Listing Rules; and
- (4) the Shares not having ceased to be listed or been suspended from trading for a continuous period of 5 or more trading days on the Stock Exchange.

The Company shall use its reasonable endeavours to procure the satisfaction of the above conditions by 31 December 2007 (or such other date as the parties thereto may agree), but if the conditions shall not be so satisfied, the obligations of the Placing Manager and of the Company thereunder shall cease and determine and none of the parties therefore shall have any claim against the other in relation thereto save for that the Company will remain liable to the Placing Manager for the payment of all reasonable costs, charges and expenses to the extent already incurred.

### **Completion of the Placing**

Completion of the Placing will take place at 4:00 p.m. at the offices of the Placing Manager from time to time but not later than the date falling two Business Days immediately after the fulfillment of conditions set out above or such other date as the Company and the Placing Manager may agree in writing.

### **Application for listing**

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, all the Placing Shares.

### **Other terms of the Placing Agreement**

The Company undertakes to ensure that none of its connected persons shall purchase any of the Placing Shares under the Placing and the Placees will be Independent Third Parties.

The Company also undertakes to the Placing Manager that it will not, before the Completion, except for Shares to be issued pursuant to the terms of any employee share option scheme of the Company (and in such case the Company shall notify the Placing Manager in writing immediately upon receipt of any notice of exercise in relation thereto), (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares; or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, without first having obtained the written consent of the Placing Manager.

The Placing Manager shall have the right (but not obligation) exercisable at any time by notice in writing to the Company to terminate the Placing Agreement if, among other things, (i) any of the Placing Shares are not delivered by or on behalf of the Company in accordance with the Placing Agreement; or (ii) the Placing Manager has only successfully placed part of (but not all) the 180,000,000 new Placing Shares pursuant to the Placing Agreement before 31 December 2007 or such other date as the parties thereto may agree.

## **Reasons for the Placing**

The Group is principally engaged in the business as a system solutions provider.

The Board considers that the Placing represents an opportunity to raise capital for the Group while broadening its shareholder and capital base. As disclosed in the interim results announcement of the Company dated 27 July 2007, the net liabilities of the Group amount to approximately HK\$18,720,000. As disclosed in the quarterly result announcement of the Company dated 12 November 2007, the Company recorded a net loss of approximately HK\$1,893,000 for the three months ended 30 September 2007. The Board accordingly considers that it is necessary to have sufficient working capital to carry out its daily operation.

While the overall financial situation of the Group is improving, the Directors consider that it is prudent for the Group to have sufficient working capital to meet its expenses. It is also important for the Group to have enough funds for its future development and expansion.

Immediately after the completion of the Placing, assuming all 180,000,000 Placing Shares having been placed by the Placing Manager, the net asset value of the Company will become positive and the financial situation of the Group will also significantly improve. In this regard, the Directors (including the independent non-executive Directors) consider that the Placing and the terms and conditions of the Placing Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

The Board has also considered that various ways of financing and consider that the Placing is an appropriate fund raising exercise as (i) in comparison with debt financing exercises, the Placing will not increase the gearing ratio and indebtedness of the Group; and (ii) in comparison with other equity financing exercises, such as rights issue and open offer, the Placing will broaden not only the capital base of the Company but also the Shareholder base.

## **Use of proceeds**

The gross proceeds of the Placing, assuming the maximum of 180,000,000 Placing Shares under the Placing, will amount to approximately HK\$45 million, and the corresponding net proceeds receivable by the Company, after deducting the placing commission and all estimated costs, fees and expenses to be borne by the Company, are estimated to be approximately HK\$43 million. It is presently expected that the net proceeds will be applied towards the general working capital and/or any suitable investments or projects which are considered by the Directors to be in the interests of the Company and the Shareholders as a whole. As at the date of this announcement, no such investments or projects have been identified yet.

The Directors consider that the Placing Agreement is entered into under normal commercial terms following arm's length negotiations between the Company and the Placing Manager and that the terms of the Placing Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

## FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The following fund raising activity has been carried out by the Company in the twelve months immediately prior to the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
26 October 2006, 5 October 2007 and 15 October 2007	Issue of convertible bonds	Approximate HK\$13.5 million	pay off the creditors of the Company and general working capital	the proceeds has been applied toward general working capital of the Group as announced on 5 October 2007

Save as disclosed above, the Company has not conducted any fund raising exercise during the past twelve months preceding the date of this announcement.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The effect on the shareholding structure of the Company as a result of the Placing are as follows:

	As at the date of this announcement and before the allotment and issue of the Placing Shares		Immediately after the completion of the Placing and the allotment and issue of the maximum of 180,000,000 Placing Shares	
	No. of Shares	Approximate Percentage	Approximate No. of Shares	Percentage
Ample Field Limited ( <i>Note 1</i> )	360,000,000	58.00%	360,000,000	44.96%
Dynamate Limited ( <i>Note 2</i> )	2,216,320	0.36%	2,216,320	0.28%
Placees	–	–	180,000,000	22.48%
Other public Shareholders	258,478,671	41.64%	258,478,671	32.28%
Total	<u>620,694,991</u>	<u>100.00%</u>	<u>800,694,991</u>	<u>100.00%</u>

Notes:

- Ample Field Limited is wholly and beneficially owned by Mr. Yu Shu Kuen, an executive Director.
- The entire issued share capital of Dynamate Limited is owned by Mr. Koh Tat Lee, Michael, a non-executive Director.

## **GENERAL**

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in the Placing Shares successfully placed by the Placing Manager.

A circular containing further details of the Placing and a notice of EGM will be despatched to the Shareholders in compliance with the GEM Listing Rules as soon as possible.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are deemed to have a material interest in the Placing and would therefore be required to abstain from voting at the EGM.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange from 9:30 a.m. on 26 November 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 28 November 2007.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	M Dream Inworld Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held to approve, among other matters, the grant of the special mandate to the Directors for the issue of the Placing Shares
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee appointed by GEM for considering applications for listing and the granting of listing

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the GEM Listing Rules
“Placee(s)”	any professional or institutional or individual investor(s) whom the Placing Manager has procured to purchase any of the Placing Shares pursuant to its obligation under the Placing Agreement
“Placing”	the placing of the Placing Shares on a best efforts basis by or on behalf of the Placing Manager on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agreement”	the agreement dated 27 November 2007 and entered into between the Company and the Placing Manager in respect of the Placing
“Placing Manager”	CCB International Capital Limited, the placing manager under the Placing Agreement and a licensed corporation for Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Price”	the placing price of HK\$0.25 per Placing Share
“Placing Shares”	up to an aggregate of 180,000,000 new Shares to be allotted and issued by the Company under the Placing
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**M Dream Inworld Limited**  
**Ha Shu Tong**  
*Chairman*

Hong Kong, 27 November 2007

*As at the date of this announcement, the Board of Directors consists of Mr. Ha Shu Tong, Mr. Yu Shu Kuen, Mr. Tham Ming Yong and Mr. Domingo Chen being the executive Directors, Mr. Koh Tat Lee, Michael 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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; 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 GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its publication.*