
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in M Dream Inworld Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Placing Manager



A notice convening an extraordinary general meeting of the Company to be held at Phoenix Room, The Charterhouse Hotel, 209-219 Wanchai Road, Hong Kong on 20 December 2007 at 10:30 a.m. is set out on page 11 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed.

Whether or not you intend to attend and vote at the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

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

* for identification purpose only

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 27 November 2007 in relation to the Placing
“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
“Latest Practicable Date”	3 December 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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

DEFINITIONS

“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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Ha Shu Tong
Mr. Yu Shu Kuen
Mr. Tham Ming Yong
Mr. Domingo Chen

Non-executive Director:

Mr. Koh Tat Lee, Michael

Independent Non-executive Directors:

Mr. Cheung Wai Shing
Mr. Tsang Kwok Wai
Mr. Ray Chu

Registered office:

P.O. Box 309, Uglan House
South Church Street
George Town
Grand Cayman, Cayman Islands
British West Indies

*Head office and principal place
of business in Hong Kong:*

8 Floor, Wyndham Place
40 – 44 Wyndham Street
Central
Hong Kong

5 December 2007

To the Shareholders

Dear Sir or Madam,

PLACING OF NEW SHARES UNDER SPECIAL MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 27 November 2007 in respect of the Placing of up to an aggregate of 180,000,000 Placing Shares to the Placee(s) at the Placing Price of HK\$0.25 per Placing Share. The purpose of this circular is to provide you with (i) details of the Placing; and (ii) the notice of EGM.

* for identification purpose only

LETTER FROM THE BOARD

THE PLACING AGREEMENT

Date : 27 November 2007

Issuer : M Dream Inworld Limited

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

Placees

In accordance with the terms and conditions of the Placing Agreement, all the 180,000,000 Placing Shares have been conditionally placed to more than six Placee(s) whom the Placing Manager has procured to purchase the Placing Shares. All Placees and, if applicable, their respective ultimate beneficial owners are Independent Third Parties and none of the Placees or their respective ultimate beneficial owners have 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 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 the Announcement; (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 the Announcement; and (iii) a discount of approximately 40.48% to the closing price of HK\$0.42 per Share as quoted on the Stock Exchange on 3 December 2007, being the Latest Practicable Date.

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.

LETTER FROM THE BOARD

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 thereof 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 results 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 (on the basis of 180,000,000 Placing Shares having been placed), 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 on the basis of 180,000,000 Placing Shares having been placed will amount to approximately HK\$45 million, and the 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 Latest Practicable Date:

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 Latest Practicable Date.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

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

	As at the Latest Practicable Date and before the allotment and issue of the Placing Shares		Immediately after the completion of the Placing and the allotment and issue of the 180,000,000 Placing Shares	
	<i>No. of Shares</i>	<i>Approximate Percentage</i>	<i>No. of Shares</i>	<i>Approximate Percentage</i>
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	620,694,991	100.00%	800,694,991	100.00%

LETTER FROM THE BOARD

Notes:

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

RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

EGM

Set out on page 11 of this circular is a notice convening the EGM to consider and, if thought fit, to approve the grant of the special mandate for the allotment and issue of the 180,000,000 Placing Shares pursuant to the Placing Agreement. A form of proxy for use at the EGM is enclosed herewith.

Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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.

LETTER FROM THE BOARD

PROCEDURE FOR DEMAND BY POLL

Pursuant to article 80 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the GEM Listing Rules. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members present in person or by proxy or, in the case of corporations, by their duly authorised representatives, and entitled to vote or who represent in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (c) any member or members present in person or by proxy or, in the case of corporations, by their duly authorised representatives, and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (d) if required by the GEM Listing Rules, any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five (5) per cent or more of the total voting rights at that meeting.

Unless a poll is so required or demanded and, in the latter case, not withdrawn, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Placing is in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the resolution approving the Placing at the EGM.

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

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of M Dream Inworld Limited (the “**Company**”) will be held at Phoenix Room, The Charterhouse Hotel, 209-219 Wanchai Road, Hong Kong on 20 December 2007 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the placing agreement (the “**Placing Agreement**”) dated 27 November 2007 and entered into between the Company as issuer and CCB International Capital Limited as placing manager in relation to the placing of up to an aggregate of 180,000,000 new shares (the “**Placing Shares**”) of HK\$0.01 each in the share capital of the Company at a placing price of HK\$0.25 per Placing Share, a copy of which is produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon, among others, the Listing Committee of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares, the allotment and issue of the Placing Shares to the relevant places pursuant to the Placing Agreement be and is hereby approved; and
- (c) any director of the Company be and is hereby authorised to do all such things and acts as he may in his discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Placing Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 5 December 2007

* *for identification purpose only*

NOTICE OF EGM

Registered office:

P.O. Box 309, Ugland House
South Church Street
George Town
Grand Cayman, Cayman Islands
British West Indies

Head office and principal place of

business in Hong Kong:
8 Floor, Wyndham Place
40 – 44 Wyndham Street
Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy can vote on a poll. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the offices of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.