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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)

LOAN CAPITALISATION

On 5 February 2008, the Company entered into the conditional Loan Capitalisation Agreement with the Creditor, pursuant to which the Creditor has conditionally agreed to subscribe for an aggregate of 16,804,979 new Shares at the Loan Capitalisation Price of approximately HK\$0.241 per Loan Capitalisation Share by capitalizing the loan owed by the Group to the Creditor.

As at the date of the Loan Capitalisation Agreement, the Group was indebted to the Creditor in the sum of S\$750,000 (equivalent to approximately HK\$4,050,000).

The Loan Capitalisation Shares represent approximately 2.09% of the existing issued share capital of the Company and approximately 2.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Loan Capitalisation Shares.

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Loan Capitalisation Agreement

Date : 5 February 2008

Parties : The Company, as issuer
The Creditor, as subscriber

The Creditor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment of securities and stocks and provision of financing but does not involve in money lending business in Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Creditor and its ultimate beneficial owners are Independent Third Parties. Reference is also made to the announcement of the Company dated 15 January 2008. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Creditor and its ultimate beneficial owners are independent of and not connected with AsiaVest Partners Limited, the creditor in relation to the loan capitalisation as announced on 15 January 2008.

As at the date of the Loan Capitalisation Agreement, the Group is indebted to the Creditor in the aggregate sum of S\$750,000 (equivalent to approximately HK\$4,050,000). The Loan is unsecured and will be subject to interest rate of 5% per annum on the Loan. The Loan was originally lent by the Creditor to Elipva Limited, a wholly owned subsidiary of the Company incorporated in Singapore, for its working capital requirement pursuant to a loan agreement dated 31 October 2007. The Loan has not yet become due.

The subscription price payable by the Creditor under the Loan Capitalisation Agreement will be satisfied by capitalising the entire amount of the Loan due from the Group to the Creditor.

The 16,804,979 Loan Capitalisation Shares represent approximately 2.09% of the existing issued share capital of the Company and approximately 2.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Loan Capitalisation Shares. There are no restrictions which apply to the subsequent disposal of the Loan Capitalisation Shares.

Conditions of the Loan Capitalisation

The Loan Capitalisation is conditional upon and the following conditions having been fulfilled:

- (a) all necessary consents and approvals required to be obtained on the part of the Creditor and the Company in respect of the Loan Capitalisation Agreement and the transactions contemplated thereby having been obtained; and
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Loan Capitalisation Shares.

In the event of the conditions referred to above not being fulfilled by 60 days after the date of the Loan Capitalisation Agreement (or such other date as may be agreed between the Company and the Creditor), all rights, obligations and liabilities of the parties thereunder shall cease and determine and neither party shall have any claim against the other, save for any prior breaches.

Loan Capitalisation Price

The Loan Capitalisation Price of approximately HK\$0.241 per Loan Capitalisation Share represents:

- (i) a discount of approximately 17.18% to the average closing price of approximately HK\$0.291 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 5 February 2008, being the last trading day immediately before the entering into of the Loan Capitalisation Agreement; and
- (ii) a discount of approximately 19.67% over the closing price of HK\$0.3 per Share as quoted on the Stock Exchange on 5 February 2008, being the last trading day immediately before the entering into of the Loan Capitalisation Agreement.

The Loan Capitalisation Price was arrived at after arm's length negotiations between the Company and the Creditor with reference to the closing price as set out above.

Taking into consideration of various factors, including the potential subprime mortgage financial crisis and also the negative sentiment of the global financial markets, together with the fact that the gearing ratio of the Company will be reduced and the financial position of the Group will be strengthened, the Directors (including the independent non-executive Directors) consider that the Loan Capitalisation Price and the terms and conditions of Loan Capitalisation Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Rights

The Loan Capitalisation Shares, when issued and allotted, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Loan Capitalisation Shares.

Mandate to issue the Loan Capitalisation Shares

The Loan Capitalisation Shares shall be allotted and issued under the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 24 December 2007. Save for the issue of 2,338,460 Shares as announced in the announcement of the Company dated 15 January 2008, no other Shares has been issued under the general mandate.

Completion

Completion of the Loan Capitalisation will take place within 10 business days after the conditions of the Loan Capitalisation having been fulfilled (or such other date as the parties thereto may agree).

Changes of shareholding

The changes on the shareholding structure of the Company as a result of the Loan Capitalisation are as follows:

	As at the date of this announcement and before the allotment and issue of the Loan Capitalisation Shares		Immediately after the completion of the Loan Capitalisation and the allotment and issue of the Loan Capitalisation 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	44.83%	360,000,000	43.91%
Dynamate Limited (<i>Note 2</i>)	2,216,320	0.28%	2,216,320	0.27%
Creditor	–	–	16,804,979	2.05%
Other public Shareholders	440,817,131	54.89%	440,817,131	53.77%
Total	<u>803,033,451</u>	<u>100.00%</u>	<u>819,838,430</u>	<u>100.00%</u>

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.

Reasons for the Loan Capitalisation

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

The Directors believe that it is in the interests of the Company to convert the Loan owed by the Group to the Creditor into share capital as the Loan Capitalisation can avoid unnecessary cash outflow from the Company. The Board also considers that the Loan Capitalisation will enlarge the capital base of the Company and will reduce the gearing level of the Group thereby strengthening the financial position of the Group.

To the best of the Directors' knowledge, there is no material adverse change to the operation and financial position of the Group since the resumption of trading in Shares from the prolonged suspension on 15 October 2007 and it is not expected that the Loan Capitalisation will have any material impact to the operation and financial position of the Group, except the net asset value of the Group will increase as a result of the Loan Capitalisation.

The Directors (including the independent non-executive Directors) consider that the Loan Capitalisation Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties to the Loan Capitalisation Agreement and that the conditions and terms of the Loan Capitalisation Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

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	all the proceeds has been fully applied toward general working capital of the Group as announced on 5 October 2007
27 November 2007	Placing of new Shares	Approximately HK\$43 million	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	all the proceeds of the placing has been fully applied towards the general working capital of the Group

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

GENERAL

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

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
“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
“Creditor”	Brilliant Path Limited, an Independent Third Party
“Directors”	directors of the Company
“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
“Loan”	the loan of S\$750,000 (equivalent to approximately HK\$4,050,000) due by the Group to the Creditor

“Loan Capitalisation”	the subscription of the 16,804,979 Loan Capitalisation Shares at the Loan Capitalisation Price of approximately HK\$0.241 per Loan Capitalisation Share by the Creditor in accordance with the terms and conditions of the Loan Capitalisation Agreement by capitalizing of the entire amount of the Loan
“Loan Capitalisation Agreement”	the loan capitalisation agreement dated 5 February 2008 and entered into between the Company and the Creditor in respect of the Loan Capitalisation
“Loan Capitalisation Price”	the price of approximately HK\$0.241 per Loan Consolidation Share to be allotted and issued to the Creditor under the Loan Capitalisation Agreement
“Loan Capitalisation Shares”	the 16,804,979 new Shares to be subscriber by the Creditor pursuant to the Loan Capitalisation Agreement
“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
“S\$”	Singapore dollars, the lawful currency of Singapore
“%”	per cent.

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

Hong Kong, 5 February 2008

As at the date of this announcement, the Board of Directors consists of Mr. Ha Shu Tong, Mr. Yu Shu Kuen and Mr. Tham Ming Yong 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.

For the purpose of this announcement, unless otherwise specified, conversion of Singapore dollars into Hong Kong dollars is based on the approximate exchange rate of S\$1.00 to HK\$5.40. This exchange rate is for the purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rates at all.

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

** for identification purposes only*