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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any losses howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION:  
DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY**

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A letter from the board of directors of the Company is set out on pages 3 to 7 of this circular.

*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 purposes only*

10 April 2008

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## CHARACTERISTICS OF GEM

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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

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

|                               |   |
|-------------------------------|---|
| “associates”                  | has the meaning ascribed to this term under the GEM Listing Rules   |
| “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             |
| “Completion”                  | completion of the sale and purchase of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement   |
| “connected person”            | has the meaning ascribed to this term under the GEM Listing Rules   |
| “Directors”                   | directors of the Company  |
| “Disposal”                    | the disposal of the Sale Shares by the Vendor pursuant to the Sale and Purchase Agreement   |
| “Elipva”                      | Elipva Limited, a company incorporated in Singapore and an indirect wholly-owned subsidiary of the Company  |
| “GEM”                         | the Growth Enterprise Market of the Stock Exchange  |
| “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   |
| “Latest Practicable Date”     | 8 April 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in the circular               |
| “Purchaser”                   | Mr. Lee Boon Kuey, the chief executive officer of Elipva and the purchaser of the Sale Shares   |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 20 March 2008 and made between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Shares |

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## DEFINITIONS

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|------------------|---|
| “Sale Shares”    | 63,689,928 shares in the share capital of Elipva, representing 30% of the issued share capital of Elipva  |
| “SFO”            | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “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   |
| “Vendor”         | Inworld International Limited, a company incorporated in the British Virgin Islands, a wholly owned subsidiary of the Company and the vendor of the Sale Shares |
| “HK\$”           | Hong Kong dollars, the lawful currency of Hong Kong   |
| “S\$”            | Singapore dollars, the lawful currency of Singapore   |
| “%”              | per cent.   |

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

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

*Independent non-executive Directors:*

Mr. Tsang Kwok Wai  
Mr. Rong Hsu  
Ms. Zhao Yang

*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:*

Room 909, 9th Floor  
Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong

10 April 2008

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION: DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 28 March 2008 in which the Board announced that on 20 March 2008, the Vendor, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 30% of the issued share capital of Elipva, for an aggregate consideration of S\$100,000.

*\* for identification purposes only*

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## LETTER FROM THE BOARD

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The Disposal constitutes a discloseable and connected transaction on the part of the Company under Chapters 19 and 20 of the GEM Listing Rules. As the relevant percentage ratios exceed 2.5% and are below 25% and the aggregate consideration for the Disposal is less than HK\$10,000,000, the transaction is only subject to the reporting and announcement requirement and is exempt from the independent Shareholders' approval requirement pursuant to Rule 20.32 of the GEM Listing Rules.

The purpose of this circular is to provide you with details regarding the Disposal and the Sale and Purchase Agreement in accordance with the GEM Listing Rules.

### SALE AND PURCHASE AGREEMENT

**Date** : 20 March 2008

**Parties** : (1) Vendor: Inworld International Limited, a wholly owned subsidiary of the Company

(2) Purchaser: Mr. Lee Boon Kuey, the chief executive officer of Elipva

The Purchaser is the chief executive officer of Elipva, a subsidiary of the Company. Accordingly, the Purchaser is a connected person to the Company as defined under the GEM Listing Rules and the Disposal constitutes a connected transaction on the part of the Company.

To the best of the Directors' knowledge, there is no transaction with the Purchaser and his associates in the past 12 months immediately prior to the entering into of the Sale and Purchase Agreement which will require aggregation under Rule 19.22 of the GEM Listing Rules.

### Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, which represents 30% of the entire issued share capital of Elipva.

### Consideration

The aggregate consideration for the Disposal is S\$100,000 (equivalent to approximately HK\$560,000), of which shall be satisfied by the Purchaser in cash upon Completion.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement after taking in to consideration of various factors. According to the audited financial statements of Elipva for the year ended 31 December 2007, the total net asset value of Elipva was approximately S\$273,000 (equivalent to approximately HK\$1,528,800) as at 31 December 2007 and Elipva made a net loss of S\$317,000 (equivalent to approximately HK\$1,775,200) for the year ended 31 December 2007.

The Directors (including the independent non-executive Directors) consider the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Conditions

The Disposal is conditional upon the satisfaction of the following conditions:

- (1) if necessary, the passing by the Shareholders other than the Purchaser and his associates at an extraordinary general meeting of Company to be convened and held of the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (2) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained.

Each party shall use its best endeavours to satisfy and fulfill the conditions. If the conditions set out above have not been satisfied on or before 4:00 p.m. on 30 April 2008, or such other date as the Vendor and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other, save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

To the best of the Directors' knowledge, information and belief, no consents and/or approvals are required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement.

### Completion

Completion is expected to take place on the second Business Days after the fulfillment (or waiver) of the conditions (or such later date as the parties may agree) mentioned above.

Immediately prior to Completion, Elipva is a wholly owned subsidiary of the Company. Upon Completion, Elipva will continue to be a 70% non-wholly owned subsidiary of the Company. The Purchaser will be appointed as a director of Elipva upon Completion.

### INFORMATION ON ELIPVA

Elipva is a limited public company incorporated in Singapore and the principal activities of Elipva are those relating to the provision of e-commerce solutions services and the development of portals.

As at the date of the Sale and Purchase Agreement, Elipva is an indirect wholly owned subsidiary of the Company.

According to the audited financial statements of Elipva, the revenue, net loss before taxation and net loss after taxation for the financial year ended 31 December 2006 were approximately S\$2,786,000, S\$608,000 and S\$608,000 respectively. According to the audited financial statements of Elipva, the revenue, net loss before taxation and net loss after taxation for the financial year ended 31 December 2007 were approximately S\$2,119,000, S\$317,000 and S\$317,000 respectively. The audited total assets of Elipva as at 31 December 2007 amounted to approximately S\$2,108,000 and the audited net asset value of Elipva as at 31 December 2007 was approximately S\$273,000.



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## LETTER FROM THE BOARD

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The audited financial statements of Elipva had been prepared in accordance with Singapore Financial Reporting Standards and had been reviewed by the auditors of the Company who considered the audited financial statements of Elipva conform with Hong Kong Financial Reporting Standards.

The Company considers that there were various reasons for the losses of Elipva during the last two years. One of the reasons is that the trading in Shares of the Company was not resumed until 15 October 2007 and the prolonged suspension in trading of Shares has affected Elipva in securing contracts. For further details of the prolonged suspension, please refer to the announcement of the Company dated 5 October 2007.

### REASONS FOR THE DISPOSAL

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

After having considered the audited net asset value of Elipva and the loss made by Elipva last year, the Directors consider that it is in the interest of the Group to dispose the Sale Shares to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement. The Purchaser, being the chief executive officer of Elipva, is responsible for the business operation of Elipva. Immediately after Completion, the Purchaser will become a 30% shareholder of Elipva and will be appointed as a director of Elipva. The Board believes that being interested in the share capital of Elipva, the Purchaser will act more proactively for the performance of Elipva.

Taking into consideration of the aforesaid, the Directors, including the independent non-executive Directors, consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and are in interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECT

After deducting expenses relating to the Disposal, it is expected that the net proceeds from the Disposal will amount to approximately HK\$400,000 which will be applied towards the general working capital of the Group.

Based on the audited financial statements of Elipva for the year ended 31 December 2007, it is estimated that upon Completion, the Group will record a gain of approximately HK\$9 million on the Disposal. As at the date of the announcement of the Company dated 28 March 2008, the aggregate loss absorbed by the Group from Elipva amounted to approximately HK\$28 million. The gain on Disposal is calculated based on 30% of the loss absorbed (i.e. approximately HK\$8.4 million) together with the consideration receivable from the Disposal of approximately HK\$0.6 million.

Based on the audited net asset value of Elipva as at 31 December 2007 was approximately S\$273,000, the consideration payable by the Purchaser represents an excess of S\$18,100 over the corresponding 30% net asset value of Elipva (i.e. S\$81,900).

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## LETTER FROM THE BOARD

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Immediately upon completion of the Disposal, as the accounts of Elipva will continue to be consolidated with the Group, the total assets and the total liabilities of the Group will have no material change as a result of the Disposal, save and except for that minority interests will be recorded in the books of the Group. Upon completion of the Disposal, the earnings of Elipva will be shared between the Purchaser and the Group in proportional to their shareholdings, i.e. 30% to 70%, though Elipva has recorded losses for the last two financial years.

### **LISTING RULES IMPLICATION**

The Disposal constitutes a discloseable and connected transaction on the part of the Company under Chapters 19 and 20 of the GEM Listing Rules.

As the relevant percentage ratios exceeds 2.5% and are below 25% and the aggregate consideration for the Disposal is less than HK\$10,000,000, the transaction is only subject to the reporting and announcement requirement and is exempt from the independent Shareholders' approval requirement pursuant to Rule 20.32 of the GEM Listing Rules.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendix of this circular.

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

## 1. 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.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### Long positions in the Shares and/or underlying Shares

| Name of Director    | Note | Number of Shares and/or underlying Shares | Type of Interests                  | Approximate percentage of issued share capital |
|---------------------|------|---|------------------------------------|--|
| Mr. Yu Shu Kuen     | 1    | 205,000,000                               | Interest in controlled corporation | 25.00%   |
| Ample Field Limited | 1    | 205,000,000                               | Beneficial owner                   | 25.00%   |

*Note:*

1. These 205,000,000 Shares are held by Ample Field Limited, which is wholly and beneficially owned by Mr. Yu Shu Kuen, an executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) or corporation had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

*Long positions in the Shares*

| <b>Name of Shareholder</b>                | <b>Type of interests</b> | <b>Number of Shares</b>        | <b>Approximate percentage of interests</b> |
|---|--------------------------|--------------------------------|--|
| stt Ventures Limited                      | Beneficial               | 50,786,236<br><i>(Note 1)</i>  | 6.19%                                      |
| STT Communications Limited                | Deemed/Beneficial        | 50,786,236<br><i>(Note 1)</i>  | 6.19%                                      |
| Singapore Technologies Telemedia Pte Ltd. | Deemed/Beneficial        | 50,786,236<br><i>(Note 1)</i>  | 6.19%                                      |
| Temasek Holdings (Private) Limited        | Deemed/Beneficial        | 50,786,236<br><i>(Note 1)</i>  | 6.19%                                      |
| Universal Target Limited                  | Beneficial               | 155,000,000<br><i>(Note 2)</i> | 18.91%                                     |

| Name of Shareholder  | Type of interests | Number of Shares               | Approximate percentage of interests |
|----------------------|-------------------|--------------------------------|-------------------------------------|
| Eternal Mass Limited | Deemed/Beneficial | 155,000,000<br><i>(Note 2)</i> | 18.91%                              |
| Ms. Li Fanghong      | Deemed/Beneficial | 155,000,000<br><i>(Note 2)</i> | 18.91%                              |
| Mr. Gui Song         | Deemed/Beneficial | 155,000,000<br><i>(Note 2)</i> | 18.91%                              |

*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.
2. These shares are held by Universal Target Limited, which is a wholly-owned subsidiary of Eternal Mass Limited ("EML"). 60% of the interests of EML is held by Mr. Gui Song and 40% of the interests of EML is held by Ms. Li Fanghong. Accordingly, Mr. Gui Song, Ms. Li Fanghong and EML are deemed to be interested in the shares beneficially owned by Universal Target Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

### 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) or their respective associates has any interest in business which competes with or may compete with the business of the Group.

## 5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group was made up.

## 7. MISCELLANEOUS

- (a) The registered office of the Company is located at P.O. Box 309, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is Room 909, 9 Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office in Hong Kong of the Company is Tricor Tengis Limited located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary and qualified accountant of the Company is Mr. Ng Kay Kwok who is an associate member of CPA, Australia.
- (e) The compliance officer of the Company is Mr. Yu Shu Kuen who is also an executive Director. Mr. Yu has worked in the investment banking field in Hong Kong and has his own financial services business.
- (f) The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules.

The audit committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The audit committee comprises three independent non-executive Directors, Mr. Tsang Kwok Wai, Mr. Rong Hsu and Mr. Zhao Yang.

Mr. Tsang Kwok Wai, aged 38, is a member of the audit committee of the Company. He obtained a Bachelor Degree of Business Administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. Mr. Tsang has fifteen years of progressive experience in financial management and corporate development. At present Mr. Tsang runs his own firm and practices public accounting.

Mr. Rong Hsu, aged 57, is a member of the audit committee of the Company. He obtained his Mechanical Engineering Degree from National Taiwan University, later on received his Masters Degree in Material Science from Brown University, USA and a Ph.D. in Material Engineering from the University of Maryland, USA. Mr. Hsu has been working in the science and technology field for more than 23 years. He is a founding member and senior advisor of the Chinese American Semiconductor Professional Association. Mr. Hsu is the corporate vice president of the company Spatial Photonics, Inc. and he also has been serving as independent director for ChipMos Technology, Limited which is a company listed in NASDAQ, and Taiwan Kolin Company Limited which is a company listed in Taiwan Stock Exchange.

Ms. Zhao Yang, aged 49, is a member of the audit committee of the Company. She was graduated at Shen Yang Institute of Education and has been practicing law in the People's Republic of China since 1986. Mr. Zhao has been awarded "Shen Yang's Best Ten Lawyers". She is now a partner of Guangdong Liren Law Firm in Shenzhen and also acts as the Secretary of the Seventh Department of Communist in Shenzhen Lawyers Association.

#### **8. DOCUMENT FOR INSPECTION**

Copies of the Sale and Purchase Agreement will be made available for inspection during normal business hours on business days at the office of the Company at Room 909, 9th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 10 May 2008.