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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)

CONTINUING CONNECTED TRANSACTIONS

On 2 February 2009 the Purchaser (an indirectly wholly owned subsidiary of the Company) has entered into the Framework Agreement in relation to the purchases of display equipment, components and display technology by the Group from the Greatsource Group. The Supplier is controlled by Ms. Li, an executive Director and substantial shareholder of the Company, and her associate(s). Accordingly, the Supplier is an associate of Ms. Li and hence, a connected person of the Company within the meaning of the GEM Listing Rules. The entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under the GEM Listing Rules.

The Annual Caps for the Continuing Connected Transactions are HK\$97million for the period from the effective date of the Framework Agreement to 31 December 2009, for the year ended 31 December 2010 and 2011 are HK\$126million and HK\$149million respectively. Based on the Annual Caps for the period from the effective date of the Framework Agreement to 31 December 2009 and for the two years ending 31 December 2010 and 2011, the applicable percentage ratios in respect of the aggregate values for the Continuing Connected Transactions under the Framework Agreement exceed 2.5% on an annual basis. Accordingly, the Framework Agreement, the Continuing Connected Transactions and the Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

* For identification purposes only

BACKGROUND

The Purchaser, a company recently incorporated in Beijing, is a wholly owned subsidiary of the Company. It is mainly engaged in carrying out display projects in the PRC. On 2 February 2009, the Purchaser and the Supplier entered into the Framework Agreement in relation to the purchases of display equipment, components and display technology by the Group from the Greatsource Group. The Supplier is controlled by Ms. Li, an executive Director and substantial shareholder of the Company, and her associate(s). Accordingly, the Supplier is an associate of Ms. Li and hence, a connected person of the Company within the meaning of the GEM Listing Rules. The entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under the GEM Listing Rules. The Framework Agreement is a new agreement rather than a renewal of any agreements entered by the Group before. Details of the Framework Agreement are as follows:

THE FRAMEWORK AGREEMENT

Date:

2 February 2009

Parties:

1. 廣泰益昌(北京)科技有限公司 (“Guang Tai Yichang (Beijing) Technology Co. Ltd.”), a wholly-owned subsidiary of the Company (as the Purchaser); and
2. 鴻源控股有限公司 (“Greatsource Holding Co., Ltd.”) (as the Supplier).

Term:

The Framework Agreement is for a term commencing from its effective date to 31 December 2011 and may be renewed by mutual agreement between the parties subject to compliance with the GEM Listing Rules. The Framework Agreement will become effective upon approval of the Framework Agreement, the Continuing Connected Transactions and the Annual Caps having been obtained from the Independent Shareholders.

Principal terms:

- (a) During the term of the Framework Agreement, the Group, based on its business needs, may purchase from the Greatsource Group various types of display equipments and components, and display technology;
- (b) The terms offered by the Greatsource Group to the Group pursuant to the Framework Agreement (1) shall be determined after arm’s length negotiations and on normal commercial terms; and (2) shall not be less favourable than the terms offered by independent third party suppliers to the Group;

- (c) The price and services to be offered by the Greatsource Group, the testing period of the goods and the credit period for payment should be no less favourable than those offered to the Group by any other third party suppliers who provide similar goods and services;
- (d) The Greatsource Group shall allow the Company's auditors to have access to its financial records for the purpose of reporting on the Continuing Connected Transactions in accordance with the GEM Listing Rules;
- (e) The Framework Agreement may be terminated by either party giving at least one month notice to the other party;
- (f) The display equipment, components and display technology shall be provided at market price; and
- (g) The Group has a right but no obligation with regard to these purchases.

THE ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions between the Group and the Greatsource Group under the Framework Agreement constitute continuing connected transactions for the Company under the GEM Listing Rules. The Continuing Connected Transactions are also subject to the following Annual Caps, being the maximum aggregate annual values as set out below.

The Annual Caps for the purchases of display equipments and components, and display technology to be made by the Group pursuant to the Framework Agreement for the period from its effective date to 31 December 2009, and in each of the two years ending 31 December 2010 and 2011 are set out below:

	For the period from effective date of the Framework Agreement to 31 December 2009	For the year ending 31 December	
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Annual Caps	97,000	126,000	149,000

The Annual Caps are determined mainly based on, among other things, the prospects of display industry and the estimated demands of the Group's target customers. The Purchaser intends to purchase display equipment from the Greatsource Group for sale to the Group's customers which are mainly governmental departments and big exhibition centres. The PRC government has recently announced a major stimulus package and it is likely that part of this amount will be spent on infrastructure which may require display equipment. The PRC government also is encouraging consumer spending so product

sellers will respond by expanding advertising in order to attract customers. Displays are becoming increasingly popular as a medium for advertisements and entertainment. These macro factors support the potential of the display markets in the PRC. After laying the basic groundwork, the Purchaser has actively started canvassing business. In January 2009 the value of potential contracts under negotiation by the sales team is approximately RMB20 million (equivalent to approximately HK\$23 million).

According to the industry source an article published on 22 January 2009 in the website www.PjTime.com (投影時代) with caption VTRON: Large Displays Market Analysis, the annual growth rate for displays has been between 30% to 50% since 2006 and it remains very strong, particularly in the PRC. The Company has adopted approximately 30% and 18% as its expected growth rate for 2010 and 2011. Hence, the projected purchases are HK\$126 million and HK\$149 million respectively for those years.

INFORMATION ON THE SUPPLIER

The Supplier is a hi-tech enterprise which has been engaged in the research and design, production and selling of display equipment and components and technology for more than ten years. It is one of leading companies in respect of Liquid Crystal on Silicon (“LCOS”) display technology in the PRC. Its LCOS project is listed among the National Hi-Tech Demonstration Projects by the National Development and Reform Committee of the PRC government.

The Greatsource Group has passed the ISO90001 quality system certification and its products have been awarded the Excellent Product Award in the 2007 China High Tech Fair. The Supplier was chosen as one of the suppliers of display equipment for the Beijing Olympics.

REASONS AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the system solutions and development business. The existing business of the Group, disregarding any non recurring income or gain, has been in a loss position for the past several years. With the impact of the financial tsunami, it is expected the loss will not turn around in the short term despite the best efforts of the Group’s management. As mentioned in previous reports issued by the Company, the Company has been actively looking for investment and business opportunities, particularly in the PRC. With the appointment of Ms. Li and Mr. Rong Hsu as Directors, the Board has gained great experience and knowledge in display technology and business. After thorough discussion, the Company has decided to develop the Group’s display business in the PRC. The entering of the Framework Agreement allows the Group to secure a stable supply of goods and technology on terms no less favourable than those offered by independent third party suppliers to the Group. The Company considers it is beneficial to carry out the continuing connected transactions under the Framework Agreement with a view to capitalise on this source of supply.

The Directors (excluding the independent non-executive Directors who will express their views and opinions in the circular to be despatched to the Shareholders) are of the view that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and the terms of the Framework Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Annual Caps are fair and reasonable.

THE GEM LISTING RULES IMPLICATIONS

The Supplier is a company controlled by Ms. Li and her associate(s). Ms. Li is the executive Director and manager director of the Company. Ms. Li, through her associates, also hold approximately 18.9% of the issued share capital of the Company as at the date of this announcement. Accordingly, the Supplier is a connected person of the Company for the purpose of the GEM Listing Rules. Therefore, the entering into of the Framework Agreement and the transactions contemplated thereunder constitutes continuing connected transactions for the Company under the GEM Listing Rules.

Based on the Annual Caps for the period from the effective date of the Framework Agreement to 31 December 2009 and for the two years ending 31 December 2010 and 2011, the applicable percentage ratios in respect of the aggregate values for the Continuing Connected Transactions under the Framework Agreement exceed 2.5% on an annual basis. Accordingly, the Framework Agreement, the Continuing Connected Transactions and the Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

An extraordinary general meeting will be convened by the Company to seek approval from the Independent Shareholders for the Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the period from the effective date of the Framework Agreement to 31 December 2009 and for the two years ending 31 December 2010 and 2011. Ms. Li and her associates are required to abstain from voting at the extraordinary general meeting in respect of the above. An independent board committee will be established to advise the Independent Shareholders in respect of the Framework Agreement, the Continuing Connected Transactions and the Annual Caps. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other information, (1) further details on the Framework Agreement and the Annual Caps; (2) a letter from the independent financial adviser containing its advice on the same; (3) recommendations of the independent board committee to the Independent Shareholders; and (4) a notice convening an extraordinary general meeting to approve, among other things, the Continuing Connected Transactions, the Framework Agreement and the Annual Caps will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Annual Caps”	proposed annual caps (excluding value added tax) for the Framework Agreement in the amount of HK\$97 million for the period from the effective date of the Framework Agreement to 31 December 2009, and HK\$126 million and HK\$149 million for the two years ending 31 December 2010 and 2011 respectively
“associate(s)”	has the meaning ascribed thereto 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, the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Continuing Connected Transactions”	transactions as provided for under the Framework Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Framework Agreement”	the agreement entered into by the Supplier and the Purchaser on 2 February 2009, setting out the principal terms of the purchase to be made by the Group from the Greatsource Group
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Greatsource Group”	the Supplier and its subsidiaries

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Ms. Li and her associates
“Ms. Li”	Ms. Li Fang Hong, the executive Director, managing director and substantial shareholder of the Company
“Purchaser”	廣泰益昌(北京)科技有限公司 (Guangtai Yichang (Beijing) Technology Co. Ltd.), a company established in the PRC and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	the lawful currency “Renminbi” of PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier”	鴻源控股有限公司 (Greatsource Holding Co., Ltd.), a company established in the PRC
“HK\$”	Hong Kong dollar, the lawful currency in Hong Kong
“%”	per cent.

By order of the Board
M Dream Inworld Limited
Peter Ng
Company Secretary

Hong Kong, 2 February 2009

As at the date of this announcement, the Board consists of Mr. Yu Shu Kuen, Mr. Rong Hsu and Ms. Li Fang Hong being the executive Directors, and Mr. Chan Kam Kwan, Jason, Mr. Cho Chun Wai and Ms. Zhao Yang, 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.

For the purpose of this announcement, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB0.87 to HK\$1.

The English translation of Chinese names is included in this announcement for information purpose only and should not be regarded as their official English translation.

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 and on the Company’s website.