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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in M Dream Inworld Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



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)

- (1) PROPOSED OPEN OFFER OF 1,048,894,324 OFFER SHARES
ON THE BASIS OF FOUR (4) OFFER SHARES FOR EVERY ONE (1)
CONSOLIDATED SHARE HELD ON THE RECORD DATE WITH BONUS ISSUE
ON THE BASIS OF THREE (3) BONUS SHARES FOR EVERY FOUR (4)
OFFER SHARES TAKEN UP UNDER THE OPEN OFFER;
(2) AMENDMENT TO ARTICLES OF ASSOCIATION;
(3) CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION AND
INCREASE IN THE AUTHORISED SHARE CAPITAL;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Underwriter



KINGSTON SECURITIES LTD

Independent Financial Adviser



Menlo Capital Limited

Terms used in this cover page have the same meanings as defined in this circular.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 32 to 45 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 31 of this circular.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events at any time prior to 4:00 p.m. on the Latest time for Termination. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on page 9 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer and the Bonus Issue will not proceed.

A notice convening the EGM to be held at Phoenix Room, The Charterhouse Hotel, 209-219 Wanchai Road, Hong Kong at 10:30 a.m. on 13 December 2010 is set out on pages 61 to 64 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

* For identification purpose only

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. 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.

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DEFINITIONS

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

“acting in concert”	has the same meaning as ascribed to it in the Hong Kong Code on Takeovers and Mergers
“Amendment to the Articles”	the proposed amendment to Article 142 of the Articles to allow distribution to Shareholders on a non-pro-rata basis, which will be subject to approval of the relevant special resolution by the Shareholders at the EGM
“Announcement”	the announcement of the Company dated 15 October 2010 relating to, among other things, the Open Offer, the Bonus Issue the Amendment to the Articles and the Capital Reorganisation
“Articles”	the articles of association of the Company, as amended from time to time
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the Underwriting Agreement
“Bonus Shares”	the bonus Shares to be issued (for no additional payment) to the First Registered Holders of Offer Shares on the basis of three (3) Bonus Shares for every four (4) Offer Shares taken up under the Open Offer subject to the terms and upon conditions as set out in the Underwriting Agreement and the Prospectus
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Capital Reorganisation”	the capital reorganisation involving the Share Consolidation and the Increase in Authorised Share Capital
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	M Dream Inworld Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company upon completion of the Share Consolidation
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Open Offer, the Bonus Issue, the Amendment to the Articles and the Capital Reorganisation
“Existing Share(s)”	existing ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company before the implementation of the Capital Reorganisation
“First Registered Holders”	Qualifying Shareholders who have applied for and received the Offer Shares allotted to them by the Company after lodging valid application forms of the Open Offer or in respect of those Underwritten Shares not taken up and those first registered holders who have received the Underwritten Shares which the Underwriter subscribed or procured subscription pursuant to the Underwriting Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising Mr. Billy B Ray Tam, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling, to advise the Independent Shareholders in respect of the Open Offer (with Bonus Issue)
“Independent Financial Adviser” or “Menlo”	Menlo Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and Bonus Issue
“Independent Shareholders”	Shareholders other than the Directors (excluding the Independent Non-executive Directors) and their respective associates

DEFINITIONS

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), 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
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$60,000,000 divided into 6,000,000,000 Existing Shares to HK\$400,000,000 divided into 8,000,000,000 Consolidated Shares
“Kingston Securities” or “Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Last Trading Day”	15 October 2010, being the last trading day for the Shares prior to the publication of the Announcement
“Latest Lodging Date”	4:30 p.m. on 20 December 2010 as the latest time for lodging transfer of Shares in order to qualify for the Open Offer
“Latest Practicable Date”	15 November 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on 12 January 2011 or such later time or date as may be agreed between the Company and Kingston Securities, being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on 17 January 2011, i.e. the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Kingston Securities, being the latest time to terminate the Underwriting Agreement
“Offer Share(s)”	1,048,894,324 new Consolidated Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of four (4) Offer Shares for every one (1) Consolidated Share held on the Record Date and payable in full on acceptance pursuant to the Open Offer
“Open Offer”	the proposed issue of the Offer Shares by way of Open Offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein

DEFINITIONS

“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Open Offer will not be extended to the Prohibited Shareholders
“Overseas Shareholders”	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“Prohibited Shareholder(s)”	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the application form in respect of the assured allotment of the Offer Shares
“Prospectus Posting Date”	29 December 2010 or such later date as may be agreed between Kingston Securities and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	24 December 2010, being the date by reference to which entitlements to the Open Offer will be determined
“Registrar”	Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, the branch share registrar of the Company in Hong Kong
“Share(s)”	Existing Share(s) and/or Consolidated Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every five Existing Shares of HK\$0.01 each in the issued and unissued share capital of the Company into one Consolidated Share of HK\$0.05 each in the issued and unissued share capital of the Company
“Share Option Scheme”	the share option scheme of the Company as approved by the Shareholders on 24 December 2007

DEFINITIONS

“Shareholder(s)”	holder(s) of the issued Share(s)
“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Offer Share
“Substantial shareholder(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 15 October 2010 entered into between the Company and Kingston Securities in relation to the Open Offer with Bonus Issue
“Underwritten Share(s)”	the total number of Offer Shares to which Qualifying Shareholders are entitled pursuant to the Open Offer, being 1,048,894,324 Offer Shares
“Untaken Shares”	those (if any) of the Offer Shares for which duly completed application form in respect of the Offer Shares (accompanied by cheques or banker’s cashier orders for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before the Latest Time for Acceptance
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

SUMMARY OF THE OPEN OFFER

The following information is derived from, and should be read in conjunction with, the full text of this circular.

ISSUE STATISTICS

Basis of the Open Offer:	Four (4) Offer Shares for every one (1) Consolidated Share held on the Record Date and payable in full on acceptance, together with the Bonus Issue on the basis of three (3) Bonus Shares for every four (4) Offer Shares taken up
Subscription Price:	HK\$0.10 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	1,311,117,906 Existing Shares (equivalent to 262,223,581 Consolidated Shares assuming the Share Consolidation becoming effective)
Number of Offer Shares:	1,048,894,324 Offer Shares
Number of Bonus Shares:	786,670,743 Bonus Shares to be issued to the First Registered Holders of the Open Offer
Maximum number of Offer Shares underwritten by Kingston Securities:	1,048,894,324 Offer Shares, being the number of the Offer Shares
Number of Shares in issue upon completion of the Open Offer with the Bonus Issue:	2,097,788,648 Consolidated Shares

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation, the Open Offer and the Bonus Issue as set out below is indicative only and has been prepared on the assumption that the Open Offer and the Bonus Issue will be approved by the Independent Shareholders and the Capital Reorganisation will be approved by the Shareholders at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

EGM	13 December 2010
Effective date of the Share Consolidation	14 December 2010
Commencement of dealings in Consolidated Shares	9:30 a.m. on 14 December 2010
Original counter for trading in the Existing Shares in board lots of 20,000 Existing Shares temporarily closes	9:30 a.m. on 14 December 2010
Temporary counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of Existing Share certificates) opens	9:30 a.m. on 14 December 2010
First day for free exchange of existing share certificates (in board lots of 20,000 Shares) into new certificates for the Consolidated Shares (in board lots of 20,000 Consolidated Shares)	14 December 2010
Last day of dealing in Shares on a cum-entitlement basis	16 December 2010
First day of dealing in Shares on an ex-entitlement basis	17 December 2010
Latest time for lodging transfer of Shares in order to qualify for the Open Offer (with Bonus Issue)	4:30 p.m. on 20 December 2010
Register of members of the Company closes (both dates inclusive)	21 December 2010 to 24 December 2010
Record Date	24 December 2010
Register of members for the Shares reopens	28 December 2010
Despatch of Prospectus Documents	29 December 2010
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of the Consolidated Shares	9:30 a.m. on 29 December 2010

EXPECTED TIMETABLE

Original counter for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares reopens	9:30 a.m. on 29 December 2010
Parallel trading in the Consolidated Shares commences	9:30 a.m. on 29 December 2010
Latest time for acceptance of and payment for Offer Shares	4:00 p.m. on 12 January 2011
Latest time for the Open Offer to become unconditional.	4:00 p.m. on 17 January 2011
Temporary counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares closes (in the form of existing Shares).	4:00 p.m. on 18 January 2011
Parallel trading in the Consolidated Shares ends	4:00 p.m. on 18 January 2011
Designated broker ceases to stand in the market to provide matching service	4:00 p.m. on 18 January 2011
Announcement of the results of the Open Offer and the Bonus Issue	19 January 2011
Share certificates for Offer Shares and Bonus Shares to be posted	21 January 2011
Last day of free exchange of existing share certificates for new share certificates.	24 January 2011
Dealing in Offer Shares and Bonus Shares commences.	9:30 a.m. on 25 January 2011

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR OFFER SHARES

The latest time for acceptance of and payment for Offer Shares will not take place if there is:

- (a) a tropical cyclone warning signal number 8 or above, or
- (b) a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on Wednesday, 12 January 2011. Instead the latest time of acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day;
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 12 January 2011. Instead the latest time of acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Latest Acceptance Date, the dates mentioned in the section headed “Expected timetable” may be affected. An announcement will be made by the Company in such event as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer, the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

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. Chi Chi Hung, Kenneth

Mr. Ng Kay Kwok

Independent Non-executive Directors:

Mr. Billy B Ray Tam

Mr. Yu Pak Yan, Peter

Ms. Chan Hoi Ling

Registered office:

P.O. Box 309, Umland House

Grand Cayman

KY1-1104

Cayman Islands

Principal place of business in Hong Kong:

Block C, 10 Floor

Cheong Wah Factory Building

39-41 Sheung Heung Road

To Kwa Wan

Kowloon

Hong Kong

17 November 2010

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED OPEN OFFER OF 1,048,894,324 OFFER SHARES
ON THE BASIS OF FOUR (4) OFFER SHARES FOR EVERY ONE (1)
CONSOLIDATED SHARE HELD ON THE RECORD DATE WITH BONUS ISSUE
ON THE BASIS OF THREE (3) BONUS SHARES FOR EVERY FOUR (4)
OFFER SHARES TAKEN UP UNDER THE OPEN OFFER;
(2) AMENDMENT TO ARTICLES OF ASSOCIATION;
(3) CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION AND
INCREASE IN THE AUTHORISED SHARE CAPITAL;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Open Offer, the Bonus Issue, the Amendment to the Articles and the Capital Reorganisation.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to give Shareholders (i) details of the Open Offer, the Bonus Issue, the Amendment to the Articles and the Capital Reorganisation; (ii) the recommendations of the Independent Board Committee in relation to the Open Offer and the Bonus Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Bonus Issue; and (iv) notice convening the EGM.

OPEN OFFER WITH BONUS ISSUE

Issue statistics

Basis of the Open Offer:	Four (4) Offer Shares for every one (1) Consolidated Share held on the Record Date and payable in full on acceptance, together with the Bonus Issue on the basis of three (3) Bonus Shares for every four (4) Offer Shares taken up
Subscription Price:	HK\$0.10 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	1,311,117,906 Existing Shares (equivalent to 262,223,581 Consolidated Shares assuming the Share Consolidation becoming effective)
Number of Offer Shares:	1,048,894,324 Offer Shares
Number of Bonus Shares:	786,670,743 Bonus Shares to be issued to the First Registered Holders of the Open Offer
Maximum number of Offer Shares underwritten by Kingston Securities:	1,048,894,324 Offer Shares, being the number of the Offer Shares
Number of Shares in issue upon completion of the Open Offer with the Bonus Issue:	2,097,788,648 Consolidated Shares

The Company has no other outstanding warrants, options or convertible or exchangeable securities as at the Latest Practicable Date. The Company will not grant share options under the Share Option Scheme on or before the Record Date.

As at the Latest Practicable Date, the Board has not received any information from any of its substantial shareholders of its intention to take up the offer shares.

LETTER FROM THE BOARD

Bonus Issue

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the First Registered Holders of the Offer Shares on the basis of three (3) Bonus Shares for every four (4) Offer Shares taken up under the Open Offer.

On the basis of 1,048,894,324 Offer Shares to be issued under the Open Offer, 786,670,743 Bonus Shares will be issued.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders. To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not be the Prohibited Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on 20 December 2010. The address of the Registrar, Tricor Tengis Limited, is at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable.

Closure of register of members

The register of members of the Company will be closed from 21 December 2010 to 24 December 2010, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price is HK\$0.10 per Offer Share, payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 83.74% to the adjusted closing price of HK\$0.615 per Consolidated Share (assuming the Share Consolidation becoming effective), based on the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (ii) a discount of 21.26% to the theoretical ex-entitlement price of approximately HK\$0.127 per Consolidated Share (assuming the Share Consolidation becoming effective) after the Bonus Issue based on the adjusted closing price of HK\$0.615 per Consolidated Share (assuming the Share Consolidation becoming effective), based on the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 83.58% to the adjusted average of the closing prices of HK\$0.609 per Consolidated Share (assuming the Share Consolidation becoming effective), based on the average closing price of HK\$0.1218 per Share for the last five consecutive trading days including and up to the Last Trading Day; and
- (iv) a discount of approximately 82.61% to the adjusted closing price of HK\$0.575 per Consolidated Share (assuming the Share Consolidation becoming effective), based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and Kingston Securities with reference to, among other things, the prevailing market price of the Shares and the financial requirements of the Company for the Possible Acquisition (as defined below). In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the Independent Non-executive Directors) consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the Independent Non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Status of the Offer Shares and the Bonus Shares

The Offer Shares and the Bonus Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares and the Bonus Shares. Holders of the Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares and the Bonus Shares.

Certificates of the Offer Shares and the Bonus Shares

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares and the Bonus Shares are expected to be posted on or before 21 January 2011 to those entitled thereto by ordinary post at their own risk.

Rights of the Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of member of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will make enquiries to its lawyers as to whether the issue of Offer Shares and the Bonus Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer Shares to such Overseas Shareholders, no provisional allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders.

LETTER FROM THE BOARD

Fractional entitlement to the Offer Shares

Fractional entitlements of Offer Shares will not be allotted and will be aggregated. Any Offer Shares arising from the aggregation of fractions of Offer Shares will be taken up by the Underwriter.

No excess application for the Offer Shares

No excess Offer Shares will be offered to the Qualifying Shareholders and any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and the Bonus Shares.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares and Bonus Shares on the Stock Exchange, the Offer Shares and Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares and Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares and Bonus Shares may be settled through CCASS. You should seek advice of your stock broker or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 15 October 2010

Underwriter: Kingston Securities Limited.

Number of Offer Shares underwritten: Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Offer Shares which have not been taken up. Accordingly, the Open Offer is fully underwritten.

As at the Latest Practicable Date, the Underwriter is interested in 331 Shares. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

It is one of the conditions of the Underwriting Agreement that the Underwriter might enter into binding agreements with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares (with Bonus Shares), such that (i) the Underwriter together with its parties acting in concert shall not in aggregate be interested in exceeding 19.9% of the issued share capital of the Company as enlarged by the Offer Shares and the Bonus Shares; and (ii) each of the placees and/or sub-underwriters and their respective parties acting in concert shall not in aggregate be interested in 10% or more of the issued share capital of the Company as enlarged by the Offer Shares and the Bonus Shares.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

LETTER FROM THE BOARD

- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of Kingston Securities; or
- (2) any Specified Event comes to the knowledge of Kingston Securities.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Conditions of the Open Offer and the Bonus Issue

The Open Offer and the Bonus Issue are conditional upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (2) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;

LETTER FROM THE BOARD

- (3) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares and the Bonus Shares;
- (4) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (5) there being no Specified Event occurred prior to the Latest Time for Termination;
- (6) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- (7) the passing of the necessary ordinary resolutions at the EGM to approve the Open Offer and the Bonus Issue, the Share Consolidation and the Increase in Authorised Share Capital by the Independent Shareholders (or where appropriate by the Shareholders) and the transactions contemplated hereunder;
- (8) the passing of necessary special resolution(s) by the Shareholders to approve the Amendment to the Articles and the allotment and issue of the Bonus Shares;
- (9) the Share Consolidation, the Increase in Authorised Share Capital and the Amendment to the Articles having become effective; and
- (10) the entering into of binding agreements by the Underwriter with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that (i) the Underwriter together with its parties acting in concert shall not in aggregate be interested in exceeding 19.9% of the issued share capital of the Company as enlarged by the Open Offer and the Bonus Issue; and (ii) each of the placees and/or sub-underwriters and their respective parties acting in concert shall not in aggregate be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer and the Bonus Issue.

The conditions precedent are incapable of being waived. If the conditions precedent are not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

LETTER FROM THE BOARD

REASONS FOR THE OPEN OFFER AND THE BONUS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in sale of display equipment, components and related technology, and provide electronic learning products and services.

The estimated net proceeds from the Open Offer will be approximately HK\$100 million. The Company has commenced preliminary arm's length negotiations with an Independent Third Party in relation to a possible acquisition (the "**Possible Acquisition**") of the majority equity interests in an information technology related company. The Possible Acquisition, if materialized, will constitute a notifiable transaction on the part of the Company under Chapter 19 of the Listing Rules. The potential target of the Possible Acquisition is a profitable company principally engaged in the information technology field and is specialized in multimedia, video and 3D technology. Based on the representations made by the counterparties, the sales and the profit of the potential target for the first quarter ended 30 September 2010 amounts to approximately HK\$8.3 million and HK\$3.5 million respectively and the sales and the profit of the potential target for the last financial year ended 30 June 2010 amounts to approximately HK\$41.5 million and HK\$ 6 million respectively. The Company would like to emphasize that such figures are unaudited and are provided by the counterparties and the Company has not conducted detailed due diligence on the potential target yet. **As at the date of this circular, no binding agreement has been entered into in respect of the Possible Acquisition and the Possible Acquisition may or may not be materialized and Shareholders and investors are advised to take cautions when dealing with securities of the Company.** Save as disclosed above, the Board also confirms that there are no negotiation or agreement relating to any intended acquisitions or realizations which are discloseable under Chapters 19 and 20 of the GEM Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

The Board intends to apply such proceeds from the Open Offer to finance the Possible Acquisition. In the event that the Possible Acquisition cannot be materialized, the Board intends to apply such proceeds from the Open Offer for its general working capital and/or to finance the acquisition of other appropriate investments which may or may not be in the principal line of business of the Group. The current utilization plan of the proceeds is that the majority of the proceeds will be applied towards the Possible Acquisition, although in the event that the Possible Acquisition cannot be materialised, the Company will seek other appropriate investments and the preliminary plan of the Company is that as to approximately 60% of the proceeds will be utilized for appropriate investments and the remaining balance of approximately 40% for the general working capital of the Company. The Company will consider numerous factors in making such investments, including the potential return, the synergy effect of such investments with the existing business of the Company, the historical financial information of such potential target and the costs of investment. The Company will base on such various criteria in making its investments but preference will be given to those businesses that can have synergy effect with the existing information technology related business of the Group.

The estimated expenses in relation to the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. Having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Company has considered the possibility of rights issue instead of Open Offer which allows

LETTER FROM THE BOARD

Shareholders to trade the nil-paid rights. However, given the additional administrative costs and expenses to be borne by the Company in arranging trading arrangement of the nil-paid rights, the Company consider that the Open Offer is a better option. The Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. In addition, the Bonus Issue will be as additional incentive for the Shareholders to take part into the Open Offer. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted to one-eighth in comparison with their shareholdings before the Open Offer and the Bonus Issue. Qualifying Shareholders should also note that based on the closing price of HK\$0.123 per Existing Share as quoted on the Stock Exchange on the Last Trading Day, the theoretical ex-entitlement price per Consolidated Share (assuming the Share Consolidation becoming effective) after the Open Offer and the Bonus Issue is approximately HK\$0.127, representing a discount of approximately 79.35% to the adjusted closing price of HK\$0.615 per Consolidated Share (assuming the Share Consolidation becoming effective).**

Odd lots may be created as a result of the Open Offer, Bonus Issue and Share Consolidation. In order to relieving the difficulty of Shareholders in trading with odd lots, the Company will appoint a designated broker to match the purchase and sale of odd lots of the Consolidated Shares at the relevant market price. Please refer to the section headed “Odd lot arrangement and matching services” below for reference. However, the matching service provided cannot guarantee that all the odd-lot trading can be matched and after the matching service expires, trading of odd-lot Shares on the market may not be easy and may not be desirable in terms of costs to Shareholders.

As at the Latest Practicable Date, the Company has no current intention to dispose of any of its existing business and/or assets and has no current intention to conduct further fund raising exercise. The trading of the Shares will have to be suspended if minimum public float cannot be maintained or a false market exists. Depending upon the actual circumstances, the Company might become a cash company under Rule 19.82 of the GEM Listing Rules and listing approval will not be granted if there is non-compliance with the GEM Listing Rules.

The Directors (including the Independent Non-executive Directors) consider that the Open Offer and the Bonus Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer and the Bonus Issue.

LETTER FROM THE BOARD

AMENDMENT TO THE ARTICLES

The existing Articles provide that the capitalisation of the Company's reserves to the Shareholders should be in the same proportion to the shareholdings of the Shareholders. Since the Qualifying Shareholders who do not take up the Offer Shares will not be entitled to the Bonus Shares, the Bonus Issue will not be in the same proportion to the shareholding of the Shareholders. In order to facilitate the Open Offer and the Bonus Issue by enabling the Company to allot and issue the Bonus Shares, the Directors propose the Amendment to the Articles such that any declaration, making or payment of a distribution or dividend to the Shareholders otherwise than pro-rata to their shareholdings upon the capitalisation of any part of the Company's reserves or undivided profits shall require a special resolution of the Shareholders. In particular, the current Article 142 shall be deleted in its entirety and substituted therefor by the following:

“The Company may in general meeting, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any reserve or fund of the Company (including a share premium account, capital redemption reserve and the profit and loss account) whether or not the same is available for dividend or otherwise available for distribution and such amount be set free for distribution among the members or any class of members who would be entitled to receive the same if distributed by way of dividend and in the same proportions, or among such of the members or such other persons and in any such proportions as recommended by the Board (such non-pro-rata distribution to be approved by the Company in general meeting on every occasion when the Board recommends the same), on the footing that the same is not paid in cash but is applied on behalf of such members or such other persons either in or towards paying up in full any unpaid shares, or paying up in full, at par or at such premium as the resolution may provide, any unissued shares or debentures or other obligations of the Company which shall be allotted, issued and distributed credited as fully paid among such members or such other persons and in any such proportions as the resolution may provide (prior approval of such non-pro-rata distributions having been obtained from the Company in general meeting), and the Board shall give effect to such resolution.”

Upon the Amendment to the Articles becoming effective and the necessary special resolution approving the Bonus Issue being passed, the Bonus Shares can be allotted and issued under the Bonus Issue as proposed.

The Directors consider the Amendment to the Articles would facilitate the issue of the Bonus Shares and to provide the Company with flexibility in raising capital from the Shareholders.

The Amendment to the Articles is subject to and conditional upon the passing of the necessary special resolution by the Shareholders at the EGM.

CAPITAL REORGANISATION

In order to facilitate the Open Offer and the Bonus Issue, the Board proposes to implement the Capital Reorganisation which will involve the Share Consolidation and the Increase in Authorised Share Capital.

LETTER FROM THE BOARD

Proposed Share Consolidation

The Board proposes that every five (5) issued and unissued Shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.05. As at the Latest Practicable Date, there are 1,311,117,906 Existing Shares of HK\$0.01 each in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the Latest Practicable Date up to the date of the EGM, there will be 262,223,581 Consolidated Shares of HK\$0.05 each in issue which are fully paid or credited as fully paid following the Share Consolidation but before completion of the Open Offer and Bonus Issue.

As at the Latest Practicable Date, there are no outstanding options, warrants or securities convertible or exchangeable into Shares.

The implementation of the Share Consolidation is conditional upon:

- (a) the passing of the necessary ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares; and
- (c) without prejudice to above, all necessary consents and approvals regarding the Share Consolidation having been obtained by the Company.

The Share Consolidation is not conditional upon the Open Offer, the Bonus Issue, the Amendment to the Articles and/or the Increase in Authorised Share Capital.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares. All necessary arrangements will be made for the Consolidated Shares to be admitted into the CCASS. The Share Consolidation will be conducted in accordance with the provisions in the Articles.

As at the Latest Practicable Date, the Existing Shares are traded in board lots of 20,000 Shares. Following the Share Consolidation, it is proposed that the Consolidated Shares will continue be traded in board lots of 20,000 Consolidated Shares.

Based on the closing price of HK\$0.115 per Existing Share as at the Latest Practicable Date, the value of each board lot of 20,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$11,500.

Status of the Consolidated Shares

The Consolidated Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders. Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company.

LETTER FROM THE BOARD

Reasons for the Share Consolidation

The proposed Share Consolidation will increase the nominal value of the Shares and reduce the total number of Shares currently in issue. As such, the transaction and handling costs of the Company in relation to the dealings in the Consolidated Shares are expected to be reduced, which will be beneficial to the Company. Moreover, as the market value of each board lot upon the Share Consolidation becoming effective will be higher than the market value of each existing board lot, the transaction cost as a proportion of the market value of each board lot will be lower. It is expected that the liquidity in trading of the Shares will increase accordingly and the market value of the Shares will be more precise in reflecting the intrinsic value of the Company. Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company, the Shareholders and investors as a whole.

Save for the necessary professional expenses for the implementation of the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders.

Free exchange of share certificates

Subject to the Share Consolidation becoming effective, which is currently expected to be 14 December 2010, being the Business Day immediately after the date of the EGM, Shareholders may on or after 14 December 2010 and until on 24 January 2011 (both days inclusive), submit their existing share certificates in *blue* for the Shares to the Registrar for exchange for share certificates in *new colour* for the Consolidated Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of share certificates.

With effect from 19 January 2011, trading will only be in Consolidated Shares which share certificates will be issued in *yellow*. The Consolidated Shares are to be consolidated on the basis of five (5) Existing Shares to one (1) Consolidated Share. Existing share certificates in *blue* for the Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

Odd lot arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Capital Reorganisation, a designated broker will be appointed to match the purchase and sale of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for the period from 9:30 a.m. on 29 December 2010 to 4:00 p.m. on 18 January 2011 (both dates inclusive). Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

LETTER FROM THE BOARD

Increase in Authorised Share Capital

As at the date Latest Practicable Date, the authorised share capital of the Company is HK\$60,000,000 divided into 6,000,000,000 Existing Shares of HK\$0.01 each of which 1,311,117,906 Existing Shares have been allotted and issued and fully paid or credited as fully paid. In order to accommodate the Open Offer and the Bonus Issue and also future expansion and growth of the Group, assuming the Share Consolidation becoming effective, the Directors propose to increase the authorised share capital of the Company from HK\$60,000,000 divided into 1,200,000,000 Consolidated Shares of HK\$0.05 each to HK\$400,000,000 divided into 8,000,000,000 Consolidated Shares of HK\$0.05 each.

The Increase in Authorised Share Capital is subject to and conditional upon the passing of an ordinary resolution by the Shareholders approving the Increase in Authorised Share Capital at the EGM.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities announced in the past twelve months before the the Latest Practicable Date.

Date of circular	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
29 July 2010	Placing of 218,000,000 new Shares to not less than six placees at the placing price of HK\$0.10 per Share	HK\$21.1 million	For general working capital	Has been utilised for the early redemption of promissory note as announced on 23 August 2010 as the noteholder agreed a HK\$2 million discount on the face value of the promissory note for the early redemption

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structures of the Company immediately before and after the completion of the Open Offer and the Bonus Issue are set out below:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Open Offer and the Bonus Issue (assuming no Qualifying Shareholder has taken up his/her/its entitlements under the Open Offer) (Note 2)		Immediately after completion of the Open Offer and the Bonus Issue (assuming all Qualifying Shareholders have taken up their entitlements under the Open Offer)	
	No. of Existing Shares (equivalent to Consolidated Shares (Note 4))	Approximate %	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %
Ample Field Limited (Note 1)	273,333,333 (54,666,666)	20.85	54,666,666	2.61	437,333,328	20.85
<i>Public Shareholders</i>						
The Underwriter (Note 3)	331 (66)	0.00	1,835,565,133	87.50	528	0.00
Other public Shareholders	1,037,784,242 (207,556,849)	79.15	207,556,849	9.89	1,660,454,792	79.15
Total	1,311,117,906 (262,223,581)	100.00	2,097,788,648	100.00	2,097,788,648	100.00

Notes:

- These Shares are held by Ample Field Limited of which the entire issued capital is beneficially owned by Mr. Yu Shu Kuen. Accordingly, Mr. Yu is deemed to be interested in the Shares beneficially owned by Ample Field Limited.
- This scenario is for illustration purpose only and will never occur. Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers for the Untaken Shares, (a) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (having the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer; and (b) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates (Rules); and (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert with it, hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer. The Company will ensure the compliance with the public float requirements under Rule 11.23 of the GEM Listing Rules upon completion of the Open Offer.

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3. As at the Latest Practicable Date, the Underwriter is interested in 331 Shares. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons.
4. Assuming the Share Consolidation becoming effective.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in trading of display units and after completion of the acquisition of KanHan Educational Services Limited in this year, the Group is also engaged in e-learning related business.

As some sales was not yet confirmed by some customers, the sales of display related business for the three months ended 30 June 2010 was only approximately HK\$472,000 which was quite disappointing. The Group has focused on doing its display business during that period. The sales for that period was slightly less than the sales for the same period in last year, experienced about a 10% drop.

However, the loss attributable to equity shareholders of the Company was smaller in that period compared to the same period in last year as there was no loss from discontinued operation incurred in that period, and the selling and administration expenses was properly controlled.

In light of the declining trading business operations of the Group, the Board has actively sought investment opportunities in order to give a better return for the Shareholders. Recently, the Group has acquired KanHan Educational Services Limited, which represents an excellent opportunity for the Group in entering into the e-learning education market.

In addition to the acquisition of KanHan Educational Services Limited, the Board has also been actively seeking appropriate businesses which will bring synergy effect with the existing business of the Group. The Board is currently negotiating the Possible Acquisition with an independent third party and the target of the Possible Acquisition is also an information technology related company. The Company will make further announcement(s) when the Possible Acquisition is materialised.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group and these risks can be categorized into: (1) business risk relating to the Group; (2) financial risks relating to the group; (3) risks related to the industry; (4) risks related to politics, economics and regulations; and (5) risks relating to the Shares prices and Shareholders' shareholdings. Additional risks and uncertainties not presently known to the Directors, or not expressed or implied below, or than the Directors currently deem immaterial, may also adversely affect the Group's business, operating results and financial condition in a material aspect.

LETTER FROM THE BOARD

Business risk relating to the Group

- (1) The industry in which the Group is operating is subject to intense competition and the success of the Group will depend on its capacity and capability to expand its market share and to secure contracts from its potential customers. If the Group fails to maintain its competitiveness against other competitors, this will affect the profitability and market share of the Group.
- (2) The global financial tsunami in the second half of 2008 has affected the consumption of the general public and potential customers of the Group, which, in turn, may affect the profitability of the Group as a result of the global economic downturn and continued economic recession.
- (3) The Group is in negotiations with an Independent Third Party in relation to the Possible Acquisition. There is no certainty that the Possible Acquisition will become materialized. This may affect the future business development of the Group.

Financial risks relating to the Group

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices as described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants and to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

The Company's interest rate risk arises primarily from finance lease obligations at fixed rates expose the company to fair value interest rate risk.

LETTER FROM THE BOARD

(d) Foreign currency risk

(i) Forecast transactions

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi, Singapore dollars and United States dollars.

(ii) Recognised assets and liabilities

In respect of receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

By assessing the foreign currency risk, the effect arising from a reasonable possible changes in the exchange rates of Renminbi, Singapore dollars and United States dollars against Hong Kong dollars in the next twelve months was not material to the results for the years ended 2009 and 2008, on the basis that all other variables remain constant.

Risks related to the industry

Intense competition

The market for system solutions in which the Group operates are characterized by an increasing number of entrants because of the relative low set-up costs. Many of the Group's competitors have a longer operating history in the market, greater brand recognition, larger customer base and significantly greater financial and marketing resources. Such present or future competitors may provide products and services that have performance, price or other advantages over those offered by the Group. There is no assurance that the Group will be able to compete successfully against the current or future competitors.

Rapid technological changes

The IT industry is characterized by its fast evolving nature and the Group needs to maintain an edge in technology over its competitors to maintain competitiveness. If the Group fails to keep up with the most up-to-date technology, the Group may become less competitive and the profitability of the Group may be adversely affected.

Risks related to politics, economics and regulations

The business operations of the Group are primarily based in the PRC and Hong Kong. Accordingly, the Group's operating results, financial position and prospects could be adversely affected by economic, political and legal developments in these jurisdictions. As a result of the financial tsunami, there is no assurance that economic, political and legal developments in these jurisdictions will not be adversely affected. If there is any material adverse change in the general economic, political and legal developments in these jurisdictions, the Group's operations and financial position may be adversely affected.

LETTER FROM THE BOARD

Risks relating to the Share price and Shareholders' shareholdings

(a) The Share price may be volatile

The price and trading volume of the Shares will be determined in the market place and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments or acquisitions, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in the PRC or Hong Kong could cause the market price of the Shares to change substantially.

(b) Shareholders' shareholding may be diluted as a result of future equity fundraising

The Group may need to raise additional funds in the future to finance its expansion or for other reasons. If additional funds are raised through the issuance by the Company of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of individual Shareholders will decline. Any such new securities may have preferential rights or options that favour their holders over holders of the Shares, to the extent permitted by law, exchange rules and the Company's constitutive documents.

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 10.39 of the GEM Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer (with Bonus Issue). As at the date Latest Practicable Date, there is no controlling Shareholder. Accordingly, Mr. Chi Chi Hung, Kenneth and Mr. Ng Kay Kwok, being the Executive Directors, and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer (with Bonus Issue) at the EGM. Each of Mr. Chi Chi Hung, Kenneth, Mr. Ng Kay Kwok and their respective associates have no interest in the Shares as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Capital Reorganisation and the Amendment to the Articles and accordingly no Shareholder will be required to abstain from voting on the relevant resolution(s) approving the Capital Reorganisation and the Amendment to the Articles.

The Capital Reorganisation and the Amendment to the Articles are not conditional upon the Open Offer and the Bonus Issue but the Open Offer and the Bonus Issue are conditional upon the Capital Reorganisation and the Amendment to the Articles becoming effective.

LETTER FROM THE BOARD

EGM

A notice convening the EGM at Phoenix Room, The Charterhouse Hotel, 209-219 Wanchai Road, Hong Kong at 10:30 a.m. on 13 December 2010 is set out on pages 61 to 64 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so desire.

RECOMMENDATION

The Directors believe that the terms of the Open Offer, the Bonus Issue, the Amendment to the Articles and the Capital Reorganisation are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders and/or the Shareholders to vote in favour of the resolutions to be proposed at the EGM. You are advised to read carefully the letter from the Independent Board Committee regarding the Open Offer and the Bonus Issue on page 31 of this circular and the letter from the Independent Financial Adviser set out from page 32 to page 45 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 32 to 45 of this circular, considers that the terms of the Open Offer and the Bonus Issue are fair and reasonable insofar as the Independent Shareholders are concerned.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

By the order of the Board
M Dream Inworld Limited
Chi Chi Hung, Kenneth
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer and the Bonus Issue.



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)

17 November 2010

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER OF 1,048,894,324 OFFER SHARES
ON THE BASIS OF FOUR (4) OFFER SHARES FOR EVERY ONE (1)
CONSOLIDATED SHARE HELD ON THE RECORD DATE WITH BONUS ISSUE
ON THE BASIS OF THREE (3) BONUS SHARES FOR EVERY FOUR (4)
OFFER SHARES TAKEN UP UNDER THE OPEN OFFER;
(2) AMENDMENT TO ARTICLES OF ASSOCIATION;
AND
(3) CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION AND
INCREASE IN THE AUTHORISED SHARE CAPITAL**

We refer to the circular of the Company dated 17 November 2010 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Open Offer and the Bonus Issue are fair and reasonable insofar as the Independent Shareholders are concerned. Menlo Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 32 to 45 of the Circular, we are of the opinion that the Open Offer and the Bonus Issue are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Open Offer and the Bonus Issue.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Billy B Ray Tam

Mr. Yu Pak Yan, Peter

Ms. Chan Hoi Ling

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter from Menlo Capital in connection with the proposed Open Offer which has been prepared for the purpose of inclusion in this circular:



Menlo Capital Limited
Room 1807, West Tower, Shun Tak Centre
168 Connaught Road Central, Hong Kong.

17 November 2010

*To the Independent Board Committee and
the Independent Shareholders of the Company*

Dear Sirs,

**PROPOSED OPEN OFFER
OF 1,048,894,324 OFFER SHARES ON THE BASIS OF
FOUR (4) OFFER SHARES FOR EVERY ONE (1) CONSOLIDATED
SHARE HELD ON THE RECORD DATE WITH
BONUS ISSUE ON THE BASIS OF THREE (3) BONUS SHARES
FOR EVERY FOUR (4) OFFER SHARES TAKEN UP UNDER
THE OPEN OFFER**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the Open Offer is in the interests of the Group and the Shareholders as a whole and whether the terms of the Open Offer and the creation and issue of the Bonus are fair and reasonable so far as the Independent Shareholders are concerned, details of the Open Offer are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 17 November 2010 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

On 15 October 2010, the Company proposes to raise approximately HK\$104.89 million, before expenses, by way of Open Offer of 1,048,894,324 Offer Shares at the Subscription Price of HK\$0.10 per Offer Share on the basis of four (4) Offer Shares for every one (1) Consolidated Share held on the Record Date with Bonus Issue on the basis of three (3) Bonus Shares for every four (4) Offer Shares taken up under the Open Offer and payable in full on acceptance.

Pursuant to Rule 10.39 of the GEM Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the Independent Non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer and the Bonus Issue. As at the Latest Practicable Date, there is no controlling Shareholder. Accordingly, Mr. Chi Chi Hung, Kenneth and Mr. Ng Kay Kwok, being the Executive Directors, and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer and the Bonus Issue at the EGM. Each of Mr. Chi Chi Hung, Kenneth, Mr. Ng Kay Kwok and their respective associates have no interest in the Shares as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the Independent Non-executive Directors has been established to make recommendations to the Independent Shareholders as to whether the Open Offer and the Bonus Issue are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. Our role as the independent financial adviser is to give our independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Open Offer and the Bonus Issue are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote on the resolutions at EGM in relation to the Open Offer and the Bonus Issue.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares and/or Bonus Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Offer Shares and/or Bonus Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Open Offer with Bonus Issue and, if in any doubt, should consult their own professional advisers.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent investigation into the business and affairs of the Company. We have taken all reasonable steps pursuant to Rule 17.92 (including notes) of the GEM Listing Rules which include the following:

- (a) obtaining all the information and documents relevant to an assessment of the fairness and reasonableness of the terms of the Open Offer, including but not limited to, the Announcement, the Board Letter, the terms of the Open Offer and the annual report of the Company for the year ended 31 December 2009;
- (b) researching the conditions and the pricing of the recent open offers conducted by the companies listed on the main board of the Stock Exchange;
- (c) reviewing the fairness, reasonableness and completeness of any assumptions or projections relevant to the Open Offer, the performance and financial situation of the Company as well as the reasons and background of the Open Offer;
- (d) confirming that no third party expert provides any opinion or valuation is relevant to the Open Offer; and
- (e) reviewing and assessing the alternative ways of fund raising other than the Open Offer and the reasons given by the management of the Company for rejecting other alternatives.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Open Offer, we have taken the following principal factors and reasons into consideration:

(I) Background

As set out in the annual report 2009 for the year ended 31 December 2009 (the “**AR 2009**”), the Group recorded turnover from continuing operations of approximately HK\$5.56 million for the year ended 31 December 2009, representing an increase of approximately 172.55% as compared with the turnover for the year ended 31 December 2008 of approximately HK\$2.04 million. As advised by the Company, the increase in turnover was mainly due to the increase in sales of optical display equipment, components and related technology. The Group recorded loss attributable to Shareholders of approximately HK\$14.17 million for the year ended 31 December 2009, representing an increase of approximately 69.50% as compared with the loss for the year ended 31 December 2008 of approximately HK\$8.36 million. As set out in the AR 2009, the increase in loss was mainly due to the increase in selling and administrative expenses for the year ended 31 December 2009 as more management staff have been employed and more offices were opened.

As set out in the interim report 2010 for the six months ended 30 June 2010 (the “**IR 2010**”), the Group recorded turnover from continuing operations of approximately HK\$2.77 million for the six months ended 30 June 2010, representing a decrease of approximately 9.18% as compared with the turnover for the corresponding period in previous year of approximately HK\$3.05 million. The Group recorded loss attributable to Shareholders of approximately HK\$4.37 million for the six months ended 30 June 2010, representing a decrease in loss of approximately 35.07% as compared with the loss attributable to Shareholders of approximately HK\$6.73 million for the corresponding period in previous year. As set out in IR 2010, the decrease in loss was mainly because there is no loss from discontinued operations incurred for the six month ended 30 June 2010 and the selling and administration expenses was properly controlled.

(II) Reasons for the Open Offer and the Bonus Issue and the use of proceeds

The Group is principally engaged in sale of display equipment, components and related technology, and provide electronic learning products and services.

As set out in the Board Letter, the estimated net proceeds from the Open Offer will be approximately HK\$100 million. The Company has commenced preliminary arm’s length negotiations with an Independent Third Party in relation to a possible acquisition (the “**Possible Acquisition**”) of the majority equity interests in an information technology related company. The Possible Acquisition, if materialized, will constitute a notifiable transaction on the part of the Company under Chapter 19 of the Listing Rules. The potential target of the Possible Acquisition is a profitable company principally engaged in the information technology field and is specialized in multimedia, video and 3D technology. Based on the representations made by the counterparties, the sales and the profit of the potential target for the first quarter ended 30 September 2010 amounts to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately HK\$8.3 million and HK\$3.5 million respectively and the sales and the profit of the potential target for the last financial year ended 30 June 2010 amounts to approximately HK\$41.5 million and HK\$6 million respectively. The Company would like to emphasize that such figures are unaudited and are provided by the counterparties and the Company has not conducted detailed due diligence on the potential target yet. As at the date of the circular, no binding agreement has been entered into in respect of the Possible Acquisition and the Possible Acquisition may or may not be materialized. The Board also states that there are no negotiation or agreement relating to any intended acquisitions or realizations.

As set out in the Board Letter, the Company is in the process of negotiating for the Possible Acquisition. Based on the information provided by the counterparties, the principal business of the target company is in line with the existing business of information technology with profitable track record. Subject to the detailed due diligence to be conducted by the Company, we concur with the Directors that if materialized, the Possible Acquisition would strengthen the information technology business of the Group and enhance the profitability of the enlarged Group.

The Board intends to apply the proceeds of approximately HK\$100 million from the Open Offer to finance the Possible Acquisition. In the event that the Possible Acquisition cannot be materialized, the Board intends to apply such proceeds from the Open Offer for its general working capital and/or to finance the acquisition of other appropriate investments which may or may not be in the principal line of business of the Group. The current utilization plan of the proceeds is that the majority of the proceeds will be applied towards the Possible Acquisition, although in the event that the Possible Acquisition cannot be materialised, the Company will seek other appropriate investments and the preliminary plan of the Company is that as to approximately 60% of the proceeds will be utilized for appropriate investments and the remaining balance of approximately 40% for the general working capital of the Company. The Board states that (i) the Company will consider numerous factors in making such investments, including the potential return, the synergy effect of such investments with the existing business of the Company, the historical financial information of such potential target and the costs of investment; and (ii) the Company will base on such various criteria in making its investments but preference will be given to those businesses that can have synergy effect with the existing information technology related business of the Group.

Based on the above, we are of the view that the Open Offer would enable the Group to strengthen its capital base and financial position for the Possible Acquisition and/or other appropriate investments with synergy effect with the existing business of the Group. We note that (i) there is no assurance on whether the Possible Acquisition will materialize or not; (ii) there is no detailed terms of the Possible Acquisition at this stage; and (iii) there will be a significant dilution of the shareholding of the Shareholders who do not take up the Offer Shares. However, we are aware that timely response and high financial certainty are crucial in capturing investment opportunity with favourable terms, especially when the entity is a viable business with profit generating, including but not limited to the target of the Possible Acquisition. With the availability of sufficient funding, it could provide more flexibility and bargaining power for the Company to strive for better terms of the Possible Acquisition and/or other future possible acquisitions. We are also of the view that the Board will try their best to ensure the Possible Acquisition and/or other future possible acquisitions to be concluded at the best interest of the Company and the Shareholders. Having considered that (i) the attractive substantial discount of the Subscription Price

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to the prevailing market prices; and (ii) the Bonus Issue as additional incentive; we are of the view that it is in the interest of the Qualifying Shareholders to take up the Open Offer to maintain their proportionate interests in the Company.

As noted from IR 2010, the Group has cash and cash equivalents of approximately HK\$16.46 million as at 30 June and as noted from Board Letter, the Company has conducted a share placement to raise net proceeds of approximately HK\$21.1 million, details of such share placement has been set out in the Company's announcement dated 29 July 2010. As advised by the Company, approximately HK\$18.0 million of the net proceeds from the share placement has been utilized for early redemption of promissory note and the remaining of approximately HK\$3.1 million has not been utilized. We also noted from AR 2009 that the Group has been loss making since the financial year ended 31 December 2008. The Board states that as at the Latest Practicable Date, the Company has no current intention to dispose of any of its existing business and/or assets and has no current intention to conduct further fund raising exercise.

We would like to draw the attention of the Independent Shareholder that both the Possible Acquisition and the other appropriate investments sought by the Company may not be materialized. Depending upon the actual circumstances, the Company might become a cash company under Rule 19.82 of the GEM Listing Rules and listing approval will not be granted if there is noncompliance with the GEM Listing Rules, the Shares will have to be suspended if minimum public float cannot be maintained or a false market exists.

Having considered (i) the Open Offer would enable the Group to strengthen its capital base for the Possible Acquisition; (ii) the Open Offer would enhance the financial position of the Group to capture any other appropriate investments or business opportunities as and when opportunities arise; and (iii) the Bonus Issue would increase the attractiveness of the Open Offer given the loss-making track record of the Group, we are of the view and concur with the view of the Directors that the Open Offer with the Bonus Issue (including the use of proceeds) are fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

(III) The major terms of the Open Offer

Basis of the Open Offer

Qualifying Shareholders will be offered four (4) Offer Shares for every one (1) Consolidated Share held on the Record Date and payable in full on acceptance, together with the Bonus Issue on the basis of three (3) Bonus Shares for every four (4) Offer Shares taken up.

The Offer Shares and the Bonus Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares and the Bonus Shares. Holders of the Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares and the Bonus Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Open Offer is fully underwritten and is subject to the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.

Subscription Price

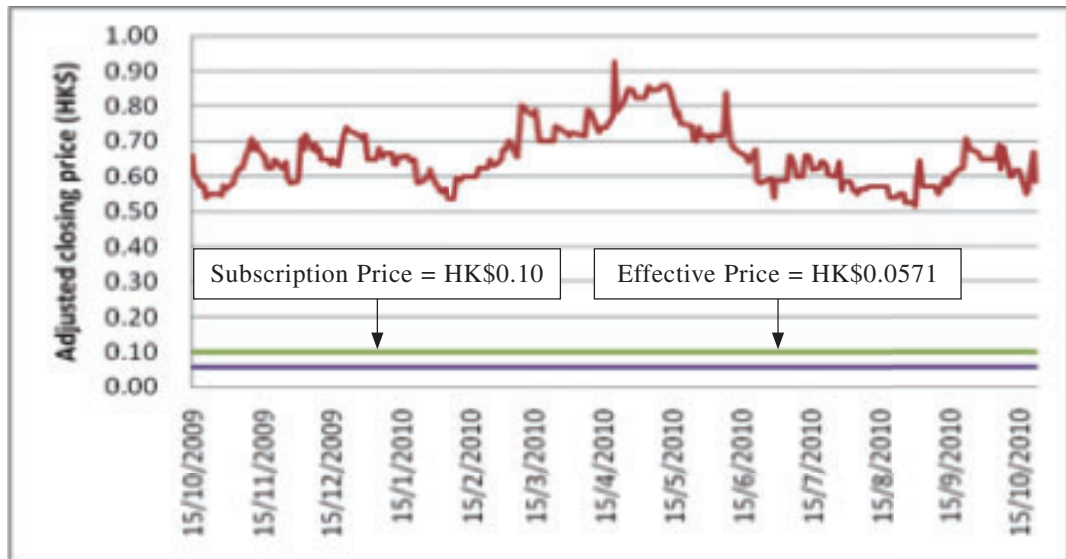
The Subscription Price is HK\$0.10 per Offer Share, payable in full on application. Taking into account the Bonus Shares to be issued, the Subscription Price for the Offer Share and Bonus Share is HK\$0.05714 (the “**Effective Price**”). Such Subscription Price and the Effective Price represent:

- (i) a discount of approximately 83.74% and approximately 90.72% respectively to the adjusted closing price of HK\$0.615 per Consolidated Share (assuming the Share Consolidation becoming effective), based on the closing price of HK\$0.123 per Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a discount of 21.26% and approximately 55.04% respectively to the theoretical ex-entitlement price of approximately HK\$0.127 per Consolidated Share (assuming the Share Consolidation becoming effective) after the Bonus Issue based on the adjusted closing price of HK\$0.615 per Consolidated Share (assuming the Share Consolidation becoming effective), based on the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 83.58% and approximately 90.62% respectively to the adjusted average of the closing prices of HK\$0.609 per Consolidated Share (assuming the Share Consolidation becoming effective), based on the average closing price of HK\$0.1218 per Share for the last five consecutive trading days including and up to the Last Trading Day; and
- (iv) a discount of approximately 82.61% to the adjusted closing price of HK\$0.575 per Consolidated Share (assuming the Share Consolidation becoming effective), based on the closing price of HK\$0.115 per Share as quoted on Stock Exchange on the Latest Practicable Date.

As set out in the Board Letter, the Subscription Price was arrived at after arm’s length negotiation between the Company and Kingston Securities Limited (the “**Underwriter**”) with reference to, among other things, the prevailing market price of the Shares and the financial requirements of the Company for the Possible Acquisition. In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the closing price of the Shares for the period from 15 October 2009, being the 12-month period prior to the date of the Underwriting Agreement, up to and including the Latest Practicable Date (the “**Review Period**”). The chart below illustrates the daily closing price of the Shares (adjusted with the Share Consolidation) versus the Subscription Price and the Effective Price during the Review Period:



Source: the website of the Stock Exchange

During the Review Period, the highest adjusted closing price and the lowest adjusted closing price of the Shares were HK\$0.515 on 31 August 2010 and HK\$0.925 on 20 April 2010 respectively. The Subscription Price and the Effective Price are lower than the adjusted closing prices of the Shares during the Review Period as shown in the chart above.

We note that it is a common market practice that, in order to enhance the attractiveness of an open offer exercise and to encourage the existing shareholders to participate in an open offer, the subscription price of an open offer normally represents a discount to the prevailing market prices of the relevant shares. Hence, the fact that the Subscription Price and the Effective Price are lower than the prevailing market prices of the Shares (after adjusted with the Share Consolidation) at the time of the Underwriting Agreement is in line with general practice and is acceptable.

We also consider a broader comparison of the open offers conducted by other companies listed on the Stock Exchange to provide a more general reference for the Subscription Price and the Effective Price. We have identified open offers (the “**Comparables**”) announced by companies that are listed on the Main Board of the Stock Exchange and GEM from 15 April 2010 up to and including 15 October 2010, being the date of the Underwriting Agreement, for reference. As the terms of the Comparables are determined under similar market conditions and sentiments as the Open Offer, we believe

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

that the Comparables may reflect the recent trend of the open offer transactions in the market and consider the Comparables are fair and representative samples. Details of the Comparables are summarized in the following table:

Comparables (stock code)	Date of announcement	Basis of entitlement	Minimum fund raised (HK\$' million)	Premium/ (discount) of subscription price over/(to) the closing price on the last trading day (%)	Premium/ (discount) of subscription price over/(to) the theoretical ex-entitlement price (%)	Underwriting Commission (%)	Excess application
China Primary Resources Holdings Limited (8117)	27-Sep-10	1 for 2	49.20	(36.50)	(27.70)	1.50	No
Yuexiu Property Company Limited (123)	14-Sep-10	3 for 10	3,447.69	(15.26)	(12.02)	0.00	No
Chigo Holding Limited (449)	9-Sep-10	1 for 2	255.44	(82.27)	(75.55)	2.50	No
Kong Sun Holdings Limited (295)	8-Sep-10	1 for 2	59.91	(46.81)	(36.97)	2.50	No
Seamless Green China (Holdings) Limited (8150)	25-Aug-10	8 for 17	20.00	(75.61)	(67.85)	2.50	No
Tack Fat Group International Limited (928)	23-Jul-10 and 6-Aug-10 (Note 1)	339 for 5	150.0	(99.75)	(85.29)	2.75	No
China Mandarin Holdings Limited (9)	9-Jul-10	7 for 1	199.40	(94.55)	(64.81)	2.50	No
China Ocean Shipbuilding Industry Group Limited (651)	15-Jun-10	1 for 2; with bonus	225.50	(70.70) (Note 2)	(49.09) (Note 2)	1.50	Yes
Yunnan Enterprises Holdings Limited (455)	12-May-10	1 for 1	196.40	(72.00)	(56.30)	0.00	No
Time Infrastructure Holdings Limited (686)	11-May-10	1 for 4	33.21	(19.35)	(16.11)	1.50	No
Starlight International Holdings Limited (485)	10-May-10	4 for 5	75.35	(60.00)	(45.45)	1.50	No
Xin Lin Medical Information Technology Company Limited (8130)	30-Apr-10	1 for 4	183.12	(17.36)	(14.38)	N/A	Yes
First China Financial Network Holdings Limited (8123)	28-Apr-10	1 for 5	185.07	(37.63)	(9.09)	2.50	Yes
Maximum				(99.75)	(85.29)	2.75	
Minimum				(15.26)	(9.09)	0.00	
Mean				(55.98)	(43.12)	1.77	
Company	4 for 1; bonus issue: 3 bonus shares for 4 offer shares		104.89	Based on Effective Price: (90.71), based on Subscription Price: 83.74	Based on Effective Price: (55.01), based on Subscription Price: 21.26	2.50	No

Source: website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The underwriting agreement to the open offer was entered on 27 July 2010 (after the announcement in relation to the open offer) and details of the underwriting arrangement were set out in the announcement of Tack Fat Group International Limited dated 6 August 2010.
2. In this open offer transaction, offer shares were issued with bonus shares. The calculations on the discounts of subscription prices to (i) the respective closing prices on last trading days; and (ii) the respective theoretical entitlement prices are based on the effective price for each offer share which has taken into account the nil paid bonus shares being issued with one fully paid offer share.

As shown in the above table, the discounts represented by the subscription prices to the closing prices of shares of the Comparables on the last trading days prior to the release of the respective announcements ranged from approximately 15.26% to approximately 99.75% (the “**LTD Market Range**”). The discounts of approximately 83.74% and approximately 90.71% as represented by the Subscription Price and the Effective Price respectively to the adjusted closing price of the Shares on the Last Trading Day falls within the LTD Market Range and depict a deeper discount as compared to the mean of approximately 55.98% of the LTD Market Range.

The discount represented by the subscription prices to the theoretical ex-entitlement prices of the shares of the Comparables ranged from approximately 9.09% to approximately 85.29% (the “**TEP Market Range**”). The discounts of approximately 21.26% and approximately 55.01% as represented by the Subscription Price and the Effective Price respectively to the theoretical ex-entitlement price (adjusted with the Share Consolidation) falls within the TEP Market Range with the discount represented by the Subscription Price falls below whilst the discount represented by the Effective Price falls above the mean of approximately 43.12% of the TEP Market Range.

We are aware the discounts as represented by the Subscription Price and the Effective Price respectively to the adjusted closing price of the Shares on the Last Trading Day depict a deeper discount as compared to the mean of the LTD Market Range, however, given the issued share of the Company upon completion of the Capital Reorganisation will be enlarged by the issue of the Offer Shares and the Bonus Shares, we are of the view that the adjusted market price of the Shares based on the Last Trading Day may not be able to reflect the underlying market value for each Adjusted Share upon completion of the Open Offer and therefore we consider the comparison with the theoretical ex-entitlement price (adjusted with the Share Consolidation) which taken into account the effect of the Open Offer and the Bonus Issue would be a more relevant approach.

Although the Effective Price falls above the mean of the TEP Market Range, having taken into consideration that (i) it is common for the listed issuers in Hong Kong to issue offer shares at a discount to the market price in order to enhance the attractiveness of an open offer transaction; (ii) the discount represented by the Subscription Price and the Effective Price to the theoretical ex-entitlement price (adjusted with the Share Consolidation) falls within the TEP Market Range; (iii) the Group has been loss making since the financial year ended 31 December 2008; and (iv) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Offer Shares at the Subscription Price, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Underwriting Commission

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate Subscription Price of the Offer Shares underwritten by it. As advised by the Company, the underwriting commission is determined at after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market rate. The Directors consider that the underwriting commission is fair and reasonable to the Company and the Shareholders as a whole. In view that the underwriting commission of 2.5% falls within the range of commission of the Comparables, we consider the underwriting commission of 2.5% is in line with the market and is fair and reasonable as far as the Independent Shareholders are concerned.

Application for excess Offer Shares

As set out in the Board Letter, after arm's length negotiation with the Underwriter, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements. The Company considers that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's future development by subscribing for his/her/its proportionate entitlement under the Open Offer and the administrative costs would be lowered without the excess application.

We consider that the absence of the excess application arrangement may not be desirable from the point of view of those Qualifying Shareholders who wish to take up additional Offer Shares in excess of their assured entitlements. However, we consider that the aforesaid should be balanced against the fact that the terms of the Open Offer are structured with an intention to encourage the Qualifying Shareholders to take up their respective assured allotment of the Offer Shares as the Subscription Price is set at a discount to the prevailing market price of the Shares which provides reasonable incentives to the Qualifying Shareholders to participate in the Open Offer. As such, it is reasonable to expect that majority of the Qualifying Shareholders who are positive about the prospects of the Company will apply for the Open Offer and the Offer Shares available for excess application will be minimal. The absence of excess application arrangement therefore may not be considered material to the Qualifying Shareholders. In addition, as shown in the Comparable table above, it is not uncommon that there is no excess application arrangement under the open offer transactions. As such, we consider the absence of the excess application arrangement under the Open Offer, on balance, is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Risk associated with the Open Offer

Shareholders should note that, as stated in the Board Letter, the Open Offer is conditional upon, among other things, the Underwriting Agreement having become unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of the Underwriting Agreement” in the Board Letter). As such, the Open Offer may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

(IV) Other terms of the Open Offer and the underwriting arrangements

The other terms of the Open Offer, being set out under the section headed “Open Offer” in the Board Letter, include the detailed terms related to:

- the Qualifying Shareholders;
- the closure of register of members;
- the terms of the Bonus;
- the status of the Offer Shares and the Bonus Shares;
- the certificates of the Offer Shares and the Bonus Shares;
- the rights of the Overseas Shareholders;
- the fractional entitlement of the Offer Shares;
- the no excess application for the Offer Shares;
- the application for listing;
- the conditions of the Open Offer and the Bonus Issue; and
- the termination of the Underwriting Agreement.

Other than the Subscription Price and the underwriting commission of the Open Offer, we have also reviewed the other terms of the Open Offer together with the terms of the Underwriting Agreement as listed above, we are of the view that the terms of the Open Offer together with the terms of the Underwriting Agreement are on normal commercial basis with no extraordinary terms being noted.

(V) Alternatives to the Open Offer

As set out in the Board Letter, that (i) the estimated expenses in relation to the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company; and (ii) having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company has considered the possibility of rights issue instead of Open Offer which allows Shareholders to trade the nil-paid rights. However, given the additional administrative costs and expenses to be borne by the Company in arranging trading arrangement of the nil-paid rights, the Company consider that the Open Offer is a better option. The Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

Having considered that (i) the attractive substantial discount of the Subscription Price to the prevailing market prices; and (ii) the Bonus Issue as additional incentive; we are of the view that it is in the interest of the Qualifying Shareholders to take up the Open Offer. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted to one-eighth in comparison with their shareholdings before the Open Offer and the Bonus Issue.**

We are of the view that the creation of odd-lot holdings by the Shareholders is unavoidable under the Open Offer, Bonus Issue and Share Consolidation. The appointment of a designated broker to match the purchase and sale of odd lots of the Consolidated Shares by the Company can facilitate the Shareholders in trading with odd lots. Despite the values of the odd lots are not substantial amounts, trading of odd-lot Shares on the market may not be desirable in terms of the cost per Share.

Taking into account that (i) debt financing and bank borrowing will increase the gearing and incur interest burden to the Company; (ii) any placing of new Shares without first offering the existing Shareholders the opportunity to participate in the Company's equity raising exercise would result in dilution of shareholding of the existing Shareholders; (iii) the Open Offer (together with the Bonus Issue) will enable the Shareholders to maintain their proportionate interests in the Company; (iv) the Open Offer avoid the additional administrative costs in arranging trading arrangement of the nil-paid rights borne by the Company; and (v) there will be a designated broker for odd-lot Shares matching arrangement,, we concur with the view of the Directors that fund raising by way of the Open Offer is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

(VI) Financial effects of the Open Offer

(a) Net tangible assets

According to the statement of unaudited pro forma financial information as set out in Appendix II to the Circular, the consolidated net tangible assets attributable to Shareholders was approximately HK\$25.17 million as at 30 June 2010 and the unaudited pro forma adjusted net tangible assets attributable to Shareholders would increase to approximately HK\$126.34 million as a result of the inflow of the estimated net proceeds of approximately HK\$101.17 million from the Open Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Also set out in the statement of the unaudited pro forma financial information, upon completion of the Open Offer with Bonus Issue, the unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share would decrease to approximately HK\$0.060 from the unaudited consolidated net tangible asset of approximately HK\$0.115 per Consolidated Share as at 30 June 2010.

The decrease in the unaudited consolidated net tangible assets per Adjusted Share upon completion of the Open Offer is inevitable because the Offer Shares will be issued at a discount to the net tangible asset per Adjusted Share. Having considered all Qualifying Shareholders are offered the same opportunities to enjoy the benefit of subscribing the Offer Shares at the Subscription Price which is at a discount to the market price of the Shares, we consider such decrease in the unaudited consolidated net tangible assets per Adjusted Share is acceptable.

(b) Working capital

Upon the completion of the Open Offer, the cash and bank balance of the Group will be increased as a result of the net proceeds from the Open Offer.

Accordingly, the working capital of the Group will be improved as a result of the Open Offer.

(VII) Effect on shareholding interests of the Shareholders

As the Open Offer is offered to all Qualifying Shareholders on the same basis, Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Open Offer in full. Any Qualifying Shareholders who choose not to take up in full their assured entitlements under the Open Offer will have their shareholdings in the Company diluted by up to a maximum of approximately 87.50% from their shareholding interests upon completion of the Open Offer.

In all cases of open offers, the dilution on the shareholding of those qualifying shareholders who do not take up in full their assured entitlements under the open offers is inevitable. In fact, the dilution magnitude of any open offers depends mainly on the extent of the basis of entitlement under such exercises since the higher offering ratio of new shares to existing shares is the greater the dilution on the shareholding would be.

Having taking into consideration that

- (i) the Open Offer would enable the Group to strengthen its capital base for the Possible Acquisition;
- (ii) the Open Offer would enhance the financial position of the Group to capture any potential investments or business opportunities as and when opportunities arise;
- (iii) the Bonus Issue would increase the attractiveness of the Open Offer given the loss-making track record of the Group;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the discounts represented by the Subscription Price and the Effective Price to the theoretical ex-entitlement price (adjusted with the Share Consolidation) fall within the TEP Market Range;
- (v) the inherent dilutive nature of Open Offer in general; and
- (vi) the Open Offer and the Bonus Issue are on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company,

we consider the potential dilution effect on the shareholding which may only happen to the Qualifying Shareholders who decide not to accept the Open Offer to be acceptable.

RECOMMENDATION

Taking into account the factors and reasons as mentioned above, we consider that, the terms of the Open Offer and the Bonus Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer and the Bonus Issue are in the interests of the Company and the Independent Shareholders as a whole. We would therefore advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Open Offer and the Bonus Issue to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Menlo Capital Limited
Michael Leung
Executive Director

1. FINANCIAL SUMMARY

The audited financial information of the Group for each of the three years ended 31 December 2007, 2008, and 2009 can be referred to the annual reports of the Company for the years ended 31 December 2007 (pages 20 to 71), 2008 (pages 25 to 91) and 2009 (pages 23 to 91) respectively; and the unaudited interim consolidated results and assets and liabilities of the Group for the six months ended 30 June 2010 can be referred to the interim report of the Company for the six months ended 30 June 2010 (pages 3 to 16).

The above-mentioned financial information has been published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.mdreaminworld.com.hk). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 December 2007, 2008 and 2009.

2. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 30 September 2010, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately HK\$319,000, representing outstanding obligations under finance lease.

Securities and guarantees

As at the close of business on 30 September 2010, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group did not have any material securities and guarantees.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 30 September 2010, the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities. The Directors confirmed that there has been no material change to the indebtedness and contingent liabilities of the Group since 30 September 2010 and up to the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest audited financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities, the Group will have sufficient working capital for at least twelve months from the date of this circular.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effects of the Open Offer on the unaudited consolidated net tangible assets of the Group as if the Open Offer and Bonus Issue had been completed on 30 June 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

	Unaudited consolidated net tangible assets of the Group as at 30 June 2010	Estimated net proceeds from the Open Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited consolidated net tangible assets of the Group per Share as at 30 June 2010	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share as at 30 June 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>
Based on 1,048,894,324 Offer Shares at subscription price of HK\$0.10 per Offer Share	25,167	101,168	126,335	0.023	0.060
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes:

1. The unaudited consolidated net tangible assets of the Group as at 30 June 2010 is based on the unaudited consolidated net assets of the Group attributable to the Company's equity holders as at 30 June 2010 of approximately HK\$25,167,000 as extracted from the published interim report of the Company for the six months ended 30 June 2010.
2. The estimated net proceeds from the Open Offer of approximately HK\$101,168,000 are calculated based on 1,048,894,324 Offer Shares to be issued at the subscription price of HK\$0.10 per Offer Share, after deduction of estimated related expenses, including underwriting commission, legal and professional fees and other related expenses of approximately HK\$3,721,000.
3. The calculation of unaudited consolidated net tangible assets of the Group per Share as at 30 June 2010 is based on the unaudited consolidated net tangible assets of the Group of approximately HK\$25,167,000 and 1,093,117,906 shares in issue as at 30 June 2010.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

4. The calculation of unaudited pro forma consolidated net tangible assets of the Group per Share as at 30 June 2010 is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group of approximately HK\$126,335,000 and 2,097,788,648 Consolidated Shares in issue immediately after the completion of the Open Offer and Bonus Issue.

5. No adjustment has been made to reflect the trading results or effect of other transactions, including the acquisition of KanHan Educational Services Limited, entered into by the Group subsequent to 30 June 2010.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from independent reporting accountants, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong.



12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

Accountants' Report on Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group to the Directors of M Dream Inworld Limited

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of M Dream Inworld Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information in connection with the proposed open offer shares of the Company might have affected the financial information presented, for inclusion in Appendix II to the circular dated 17 November 2010 issued by the Company (the "Circular"). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out on pages 48 to 49 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by the paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2010 or at any future date.

Opinion

In our opinion:

- a. the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,

Baker Tilly Hong Kong Limited

Certified Public Accountants

Andrew David Ross

Practising Certificate number P01183

Hong Kong, 17 November 2010

RESPONSIBILITY STATEMENT

This circular, for which the Directors of the issuer 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

SHARE CAPITAL

<i>Authorised capital:</i>		<i>HK\$</i>
<u>6,000,000,000</u>	ordinary Existing Shares of HK\$0.01 each (before the Increase in Authorised Share Capital)	<u>60,000,000.00</u>
<u>8,000,000,000</u>	ordinary Consolidated Shares of HK\$0.05 each (after the Increase in Authorised Share Capital)	<u>400,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>		
262,223,581	Consolidated Shares as at the Latest Practicable Date (assuming the Share Consolidation having been completed)	13,111,179.05
1,048,894,324	Offer Shares to be allotted and issued under the Open Offer	52,444,716.20
<u>786,670,743</u>	Bonus Shares to be allotted and issued under the Open Offer	<u>39,333,537.15</u>
<u>2,097,788,648</u>	Consolidated Shares in issue immediately after completion of the Open Offer (with Bonus Issue)	<u>104,889,432.40</u>

As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible or exchangeable securities.

All the Shares in issue and the Offer Shares and the Bonus Shares to be issued will rank pari passu in all respects with each other including as regards to dividends and voting rights. The Offer Shares and Bonus Shares to be issued will be listed on GEM.

No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

DISCLOSURE OF INTERESTS

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

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 or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors 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 and substantial shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares 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 10% 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:

Substantial Shareholders:

Name of shareholder	Number of shares held	Approximate percentage of interests in the Company's issued share capital
Ample Field Limited (<i>Note 1</i>)	273,333,333	20.85%
Mr. Yu Shu Kuen (<i>Note 1</i>)	273,333,333	20.85%
Kingston Finance Limited (<i>Note 2</i>)	273,333,333	20.85%
Ample Cheer Limited (<i>Note2, 3</i>)	273,333,333	20.85%
Best Forth Limited (<i>Note2, 3</i>)	273,333,333	20.85%
Mrs. Chu Yuet Wah (<i>Note2, 3</i>)	273,333,333	20.85%

Notes:

1. These shares are beneficially owned by Ample Field Limited of which the entire issued capital is beneficially owned by Mr. Yu Shu Kuen. Accordingly, Mr. Yu Shu Kuen is deemed to be interested in these shares.
2. The 273,333,333 shares in the Company held by Ample Field Limited is charged to Kingston Finance Limited. Accordingly, Kingston Finance Limited is deemed to have a security interest in these 273,333,333 shares.
3. Kingston Finance Limited is wholly owned by Ample Cheer Limited which is 80% owned by Best Forth Limited, and Best Forth Limited is wholly owned by Mrs. Chu Yuet Wah. Accordingly, Ample Cheer Limited, Best Forth Limited and Mrs. Chu Yuet Wah are deemed to be interested in the 273,333,333 shares in the Company which Kingston Finance Limited is deemed to have a security interest.

Save as disclosed above, as at the Latest Practicable Date, the Directors 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 (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 10% 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.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Menlo	a licensed corporation under the SFO licensed to conduct type 6 regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
Baker Tilly	Certified Public Accountants

Each of Menlo and Baker Tilly has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which they respectively appear.

Each of Menlo and Baker Tilly does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Menlo and Baker Tilly does not have any direct or indirect interests in any assets which have been, since 31 December 2009 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

- (a) the framework agreement dated 2 February 2009 entered into between Guang Tai Yichang (Beijing) Technology Co. Ltd, a wholly owned subsidiary of the Company as purchaser and Greatsource Holding Co., Ltd. as supplier in relation to, among others, the supply of various types of display equipments and components and display technology;
- (b) the underwriting agreement dated 22 June 2009 entered into between the Company and Kingston Securities in relation to the open offer of 273,279,476 offer Shares on the basis of one offer Shares for every three Shares at a offer price of HK\$0.045 per offer Share;
- (c) the sale and purchase agreement dated 4 September 2009 and entered into between Dr. Lui Siu-Man as purchaser and Elipva International Limited, a wholly owned subsidiary of the Company as vendor, in relation to the disposal of 148,609,832 shares in the share capital of Elipva Limited, representing 70% issued share capital of Elipva Limited, for a cash consideration of HK\$300,000;

- (d) the sale and purchase agreement dated 14 July 2010 and entered into between Refine Skill Limited, a wholly owned subsidiary of the Company as purchaser and KanHan Technologies Limited as vendor in relation to the acquisition of the entire equity interest of KanHan Educational Services Limited for a total consideration of HK\$25,000,000;
- (e) the placing agreement dated 29 July 2010 and entered into between the Company as issuer and Kingston Securities as placing agent in relation to the placing of 218,000,000 placing Shares at the placing price of HK\$0.10 per Share; and
- (f) the Underwriting Agreement.

EXPENSES

The expenses in connection with the Capital Reorganisation, the Amendment to the Articles, the Open Offer and the Bonus Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK\$3,721,000 and are payable by the Company.

DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

PARTIES INVOLVED IN THE OPEN OFFER AND THE BONUS ISSUE AND CORPORATE INFORMATION

Registered office P.O. Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head office and principal place of business Block C, 10 Floor
Cheong Wah Factory Building
39-41 Sheung Heung Road
To Kwa Wan
Kowloon
Hong Kong

Authorised representatives	Chi Chi Hung, Kenneth Block C, 10 Floor Cheong Wah Factory Building 39-41 Sheung Heung Road To Kwa Wan Kowloon Hong Kong Ng Kay Kwok Block C, 10 Floor Cheong Wah Factory Building 39-41 Sheung Heung Road To Kwa Wan Kowloon Hong Kong
Compliance officer	Chi Chi Hung, Kenneth Block C, 10 Floor Cheong Wah Factory Building 39-41 Sheung Heung Road To Kwa Wan Kowloon Hong Kong
Company Secretary	Ng Kay Kwok
Auditors	Baker Tilly Hong Kong Limited Certified Public Accountants 12th Floor, China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Underwriter	Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbous View Street Central Hong Kong

Legal advisers

On Cayman Islands Law
Maples and Calder
53rd Floor The Center
99 Queen's Road Central
Hong Kong

On Hong Kong Law
Michael Li & Co.
14/F Printing House
6 Duddell Street, Central
Hong Kong

Principal bankers

Wing Hang Bank Limited
161, Queen's Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Principal share registrar and transfer office

Bank of Butterfield International (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong branch share registrar and transfer office

Tricor Tengis Limited
26 Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PARTICULARS OF DIRECTORS**Executive Directors**

Mr. Chi Chi Hung, Kenneth

Mr. Chi, aged 42, has over 18 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is an executive director of Hua Yi Copper Holdings

Limited, China Grand Forestry Green Resources Group Limited and Morning Star Resources Limited, all of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of ZMAY Holdings Limited and Aurum Pacific (China) Group Limited, both of which are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Ng Kay Kwok

Mr. Ng, aged 48, has over 15 years of experience in audit and accounting. He obtained a Graduate Diploma in Accounting from Macquarie University and is an associate member of CPA, Australia. He has served as the Chief Financial Officer and Company Secretary of the Company since 1 January 2007. Mr. Ng is the independent non-executive director of China Fortune Group Limited which is listed on the Main Board of the Stock Exchange. Mr. Ng is also the Company Secretary of the Company.

Independent Non-executive Directors

Mr. Billy B Ray Tam

Mr. Tam, aged 42, obtained his Bachelor Degree of Laws from The University of London, Bachelor Degree of PRC Laws from Tsinghua University and a Master Degree of Laws from The University of Hong Kong. Mr. Tam has been working in the legal profession for almost twenty years. He is an Admitted Solicitor in Hong Kong SAR and England. Mr. Tam is now a partner of Ho and Tam, Solicitors. Mr. Tam is the independent non-executive director of China Fortune Group Limited which is listed on the Main Board of the Stock Exchange.

Mr. Yu Pak Yan, Peter

Mr. Yu, aged 59, has over 28 years of experience in real estate and financial services industries. He obtained a Bachelor Degree in Management from Youngstown State University in Ohio, USA and a Master of Science Degree in Financial Services from American College in Pennsylvania, USA. Mr. Yu is a member of the Certified Commercial Investment Member Institute. He has held senior positions in Metlife and New York Life Insurance Company in managing Asian customers in North America. Mr. Yu is currently serving as executive director of Kong Sun Holdings Limited and independent non-executive director of Golden Resorts Group Limited, both companies are listed on the Main Board of the Stock Exchange.

Ms. Chan Hoi Ling

Ms. Chan, aged 37, has extensive experience in auditing and financial management. She obtained a Bachelor Degree in Accountancy from the University of South Australia and is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Ms. Chan is the independent non-executive director of Morning Star Resources Limited which is listed on the Main Board of the Stock Exchange.

The Company has established an audit committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group. The audit committee of the Company comprises Mr. Billy B Ray Tam, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling who are Independent Non-executive Directors of the Company and the primary duty of which are to review the annual reports and accounts, half-year reports and quarterly reports and give advice and comments thereon to the Directors and to review and supervise the financial reporting process and internal controls.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Block C, 10 Floor, Cheong Wah Factory Building, 39-41 Sheung Heung Road, To Kwa Wan, Kowloon, Hong Kong during normal business hours up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 11 to 30 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 31 of this circular;
- (d) the letter of advice from Menlo to the Independent Board Committee and the Independent Shareholders as set out on pages 32 to 45 of this circular;
- (e) the annual reports of the Company for the two years ended 31 December 2008 and 31 December 2009 respectively;
- (f) the unaudited interim report of the Company for the six months ended 30 June 2010;
- (g) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (h) the letter from Baker Tilly on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (i) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (j) the written consents referred to in the paragraph headed “Experts and consents” in this appendix; and
- (k) a copy of each of the circulars issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2009, the date of the latest published audited consolidated financial statements of the Group were made up.

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 “EGM”) of M Dream Inworld Limited (the “**Company**”) will be held at 10:30 a.m. on 13 December 2010 at Phoenix Room, The Charterhouse Hotel, 209-219 Wanchai Road, Hong Kong for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** subject to and conditional upon, among others, the granting by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of the listing of, and permission to deal in, the issued ordinary shares of the Company consolidated in the manner as set out in paragraph (a) of this resolution below (the “**Share Consolidation**”):
 - (a) with effect from the day immediately following the date on which this resolution is passed, being a day on which shares are traded on the Stock Exchange, every five issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company (each an “Existing Share”) be consolidated into one share of HK\$0.05 (each a “Consolidated Share”), such Consolidated Shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of the Company;
 - (b) the directors of the Company (the “Directors”) be and are generally authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to give effect to the foregoing arrangements for the Share Consolidation.”
2. **“THAT** the authorised share capital of the Company be increased from HK\$60,000,000 divided into 6,000,000,000 Existing Shares (equivalent to 1,200,000,000 Consolidated Shares) to HK\$400,000,000 divided into 8,000,000,000 Consolidated Shares (on the assumption that the Share Consolidation having become effective) by the creation of an additional 6,800,000,000 Consolidated Shares each (the “**Increase in Authorised Share Capital**”) and that any Directors be and are hereby authorised to do all such acts, deeds and things and shall execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to give effect to the Increase in Authorised Share Capital.”

* For identification purpose only

NOTICE OF EGM

3. “**THAT**

- (a) subject to, among others, the passing of the special resolution numbered 5 and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Open Offer (as defined below) and the Bonus Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;

For the purpose of this resolution, “**Open Offer**” means the proposed issue by way of open offer of 1,048,894,324 offer shares (the “**Offer Shares**”) at a subscription price of HK\$0.10 per Offer Shares to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the date by reference to which entitlement under the Open Offer will be determined (other than those shareholders (the “**Prohibited Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of four (4) Offer Shares for every one (1) Consolidated Share then held and otherwise pursuant to and subject to the fulfillment of the conditions of terms set out in the underwriting agreement (the “**Underwriting Agreement**” and including all supplemental agreements relating thereto) (a copy of which have been produced to this Meeting marked “A” and signed by the chairman of this Meeting for the purpose of identification) dated 15 October 2010 and made between the Company and Kingston Securities Limited as underwriter (the “**Underwriter**” or “**Kingston Securities**”);

- (b) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to the Open Offer and the Bonus Shares pursuant to the Bonus Issue (as defined below) notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Prohibited Shareholders as they deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong;
- (c) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Offer Shares and the Bonus Shares, if any, by Kingston Securities) be and are hereby approved, confirmed and ratified;
- (d) the arrangements for no excess application for the Offer Shares by the Qualifying Shareholders under the Open Offer be and are hereby approved, confirmed and ratified; and
- (e) any Directors be and are hereby authorised to sign or execute such documents and do all acts and things in connection with the allotment and issue of the Offer Shares and Bonus Shares, the implementation of the Open Offer, the Bonus Issue (as defined below) and the Underwriting Agreement, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders.”

NOTICE OF EGM

SPECIAL RESOLUTIONS

4. “**THAT** the articles of association of the Company shall be amended by way of that the existing article 142 of the articles of association shall be deleted in its entirety and substituted therefor by the following new article 142 (the “**Amendment to the Articles**”):

“142. The Company may in general meeting, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any reserve or fund of the Company (including a share premium account, capital redemption reserve and the profit and loss account) whether or not the same is available for dividend or otherwise available for distribution and such amount be set free for distribution among the members or any class of members who would be entitled to receive the same if distributed by way of dividend and in the same proportions, or among such of the members or such other persons and in any such proportions as recommended by the Board (such non-pro-rata distribution to be approved by the Company in general meeting on every occasion when the Board recommends the same), on the footing that the same is not paid in cash but is applied on behalf of such members or such other persons either in or towards paying up in full any unpaid shares, or paying up in full, at par or at such premium as the resolution may provide, any unissued shares or debentures or other obligations of the Company which shall be allotted, issued and distributed credited as fully paid among such members or such other persons and in any such proportions as the resolution may provide (prior approval of such non-pro-rata distributions having been obtained from the Company in general meeting), and the Board shall give effect to such resolution.”

and that any Directors be and are hereby authorised to do all such acts, deeds and things and shall execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to give effect to the Amendment to the Articles.”

5. “**THAT**
- (a) subject to, among others, the passing of the ordinary resolution numbered 3 and the special resolution numbered 4, the issue (the “**Bonus Issue**”) by way of bonus shares (the “**Bonus Shares**”) to the registered holders of the Offer Shares on the basis of three (3) Bonus Shares for every four (4) Offer Shares taken up in accordance with the terms and conditions as set out in the circular of the Company dated 17 November 2010 be and is hereby confirmed and approved and the Directors be and is hereby authorised to allot and issue the Bonus Shares pursuant to or in connection with the Bonus Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusion or other arrangements in relation to fractional entitlements or overseas Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong; and

NOTICE OF EGM

- (b) the Directors be and are hereby authorised to execute all such documents and to do all such acts and things as they consider necessary, desirable or expedient in connection with the Open Offer and the Bonus Issue, including but not limited to the allotment and issue of the Offer Shares and the Bonus Shares.”

By the order of the Board
M Dream Inworld Limited
Chi Chi Hung, Kenneth
Executive Director

Hong Kong, 17 November 2010

Registered Office:

P.O. Box 309, Uglan House
Grand Cayman,
KY1-1104,
Cayman Islands

Principal place of business in Hong Kong:

Block C, 10 Floor
Cheong Wah Factory Building
39-41 Sheung Heung Road
To Kwa Wan
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at 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 EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.