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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer 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 to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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M DREAM INWORLD LIMITED

聯夢活力世界有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8100)

**PROPOSED SHARE CONSOLIDATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A letter from the board of directors of M Dream Inworld Limited is set out on pages 5 to 10 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 4:30 p.m., Friday, 15 July 2011 is set out on pages 11 to 12 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding of the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

* *for identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock 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 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 required, the following terms and expressions shall have the following meanings when used herein.

“Articles of Association”	the memorandum and articles of association of the Company as amended, modified or otherwise supplemented from time to time
“Board”	board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	M Dream Inworld Limited, a company incorporated under the laws of the Cayman Islands, the issued Shares of which are listed on the GEM of the Stock Exchange
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.10 each in the issued and unissued share capital of the Company immediately after the completion of the Share Consolidation
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 4:30 p.m., Friday, 15 July 2011 to approve, amongst other, the Share Consolidation
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	23 June 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Share(s)”	ordinary share(s) of HK\$0.05 each in issued share capital of the Company
“Share Consolidation”	the proposed consolidation of every two (2) existing Shares into one (1) Consolidated Share

DEFINITIONS

“Share Option Scheme”	the share option scheme of the Company as approved by the Shareholders on 24 December 2007
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

All time stated in this circular refer to Hong Kong time. Dates stated in this circular for the events in the timetable are indicative and for reference only and may be extended or varied. Any changes to the information hereinabove in the expected timetable for the Share Consolidation will be announced by the Company wherever appropriate.

2011

Latest time for lodging forms of proxy for the EGM	4:30 p.m. on Wednesday, 13 July
EGM to approve the Share Consolidation	4:30 p.m. on Friday, 15 July
Publication of announcement of the result of the EGM in respect of the Share Consolidation	Friday, 15 July
Effective date of the Share Consolidation	Monday, 18 July
First day for free exchange of existing share certificate(s) for new share certificate(s) for Consolidated Shares.	Monday, 18 July
Dealing in Consolidated Shares commences	9:00 a.m. on Monday, 18 July
Original counter for trading in the existing Shares in board lots of 20,000 Shares temporarily closes	9:00 a.m. on Monday, 18 July
Temporary counter for trading in Consolidated Shares in board lots of 10,000 Consolidated Shares (in form of the existing share certificate(s)) opens.	9:00 a.m. on Monday, 18 July
Original counter for trading in Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of the new share certificates for Consolidated Shares) re-opens.	9:00 a.m. on Monday, 1 August
Parallel trading in Consolidated Shares in the form of new share certificate(s) and existing share certificate(s) commences	9:00 a.m. on Monday, 1 August
Designated broker starts to stand in the market to purchase and sell odd lots of Consolidated Shares	9:00 a.m. on Monday, 1 August
Parallel trading in Consolidated Shares in the form of new share certificate(s) and existing share certificate(s) ends.	4:00 p.m. on Friday, 19 August
Temporary counter for trading in Consolidated Shares in board lots of 10,000 Consolidated Shares (in form of the existing share certificate(s)) closes	4:00 p.m. on Friday, 19 August

EXPECTED TIMETABLE

2011

Designated broker ceases to stand in the market
to purchase and sell odd lots of

Consolidated Shares 4:00 p.m. on Friday, 19 August

Last day for free exchange of existing share certificate(s)
of Shares for new share certificate(s) for

Consolidated Shares 4:30 p.m. on Tuesday, 23 August

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. Takashi Togo

Independent Non-executive Directors:

Mr. B Ray Tam, Billy
Mr. Yu Pak Yan, Peter
Ms. Chan Hoi Ling

Registered office:

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

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

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

27 June 2011

To the Shareholders

Dear Sir or Madam,

**PROPOSED SHARE CONSOLIDATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 13 June 2011 and 15 June 2011 regarding, amongst other, the proposed Share Consolidation.

The purpose of this circular is to provide you with, among others, (i) details of the Share Consolidation and (ii) the notice of EGM.

* for identification purpose only

LETTER FROM THE BOARD

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement a share consolidation on the basis that every two (2) issued and unissued Shares of HK\$0.05 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.10 in compliance with Rule 17.76 of the GEM Listing Rules.

Status of the Consolidated Shares

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank pari passu in all respects with each other in accordance with the Articles of Association.

Fractional Consolidated Shares

Fractional Consolidated Shares will be disregarded and not issued to the Shareholders. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon (i) the passing of the necessary resolution(s) for the Share Consolidation by the Shareholders at the EGM; and (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consolidated Shares to be allotted and issued forthwith upon the Share Consolidation becoming effective.

Effect of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$400,000,000 divided into 8,000,000,000 Shares, and the issued share capital of the Company is HK\$124,889,432 divided into 2,497,788,648 Shares. Immediately after completion of the Share Consolidation, the authorised share capital of the Company will remain at HK\$400,000,000, but divided into 4,000,000,000 Consolidated Shares and the issued share capital of the Company will remain at HK\$124,889,432 but divided into 1,248,894,324 Consolidated Shares.

As at the Latest Practicable Date, the Company, save for an aggregate of 12,400,000 options (“Options”) granted on 19 May 2011 under the Share Option Scheme, the Company had no outstanding convertible securities or options in issue or other similar rights which confer any rights to convert into or subscribe for the Shares.

Full and complete implementation of the Share Consolidation would not, by itself, alter in whatsoever and howsoever way the underlying assets, liabilities, businesses, management or financial position of the Company and the Group or the rights of the Shareholders except for incurring the liability for payment of the professional fees and printing costs and the related expenses.

Reason for Share Consolidation

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of

LETTER FROM THE BOARD

its securities. In view of the recent trading price of the shares of the Company, the Board proposes to implement share consolidation to enable the Company to comply with the trading requirements of the GEM Listing Rules.

Taking into account the Share Consolidation will increase the trading price per board lot, and hence reduce the overall transaction and handling costs for dealing in the Consolidated Shares, the Directors are of the view that the Share Consolidation is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Application for listing of the Consolidated Shares

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Consolidated Shares to be allotted and issued upon the Share Consolidation becoming effective and the Consolidated Shares which may fall to be issued upon exercise of the Options.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought from any other stock exchange.

Subject to granting the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated 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 Consolidated 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free exchange of Consolidated Share certificates and trading arrangements

Should the Share Consolidation become effective, Shareholders may, during the period from Monday, 18 July 2011 to 4:30 p.m., 23 August 2011 (both days inclusive) during the business hours, submit existing certificates for the Shares in yellow colour to the Company's branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong in exchange, at the expense of the Company, for new share certificates in green colour for the Consolidated Shares (on the basis of every two (2) Shares for one (1) Consolidated Share. It is expected that the new certificates for the Consolidated Shares will be available for collection within 10 business days (as defined under the GEM Listing Rules) after the submission of the existing share certificates to the branch share registrar of the Company for exchange. Thereafter, certificates for existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for the Consolidated Shares. Existing share certificates for the Shares will cease to be good for delivery but will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares at the expense of the Shareholders.

LETTER FROM THE BOARD

Arrangements for matching service for odd lots and fractional Consolidated Shares

Fractional Consolidated Shares will be disregarded and not issued to the Shareholders. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

In order to facilitate the trading of odd lots of the Consolidated Shares, the Company has appointed Kingston Securities Limited to provide a matching service, on a “best effort” basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Holders of odd lots of the Consolidated Shares who wish to take advantage of this trading facility should contact Ms. Rosita Kiu of Kingston Securities Limited at Suite 2801, 28th Floor, One IFC, 1 Harbour View Street, Central, Hong Kong (Tel: (852) 2298-6215) either directly or through their licensed securities dealers during the period from 9:00 a.m. on Monday, 1 August 2011 to 4:00 p.m. on Friday, 19 August 2011. Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is on a best effort basis and 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 facility, is recommended to consult his/her/its own professional advisers.

Subject to the Share Consolidation becoming effective, the trading arrangements for dealings in Consolidated Shares are set out as follows:

- (i) with effect from 9:00 a.m. on Monday, 18 July 2011, the original counter for trading in Shares in board lots of 20,000 Shares will close temporary. A temporary counter for trading in Consolidated Shares in the form of existing share certificates in board lots of 10,000 Consolidated Shares will be established, and every two (2) Shares in the form of existing share certificates will be deemed to represent one (1) Consolidated Share. Only existing share certificates for Shares (in yellow colour) can be traded at this temporary counter;
- (ii) with effect from 9:00 a.m. on Monday, 1 August 2011, the original counter will reopen for trading in Consolidated Shares in board lots of 20,000 Consolidated Shares. Only new share certificates (in green colour) for the Consolidated Shares can be traded at this counter;
- (iii) with effect from 9:00 a.m. on Monday, 1 August 2011 to 4:00 p.m. on Friday, 19 August 2011 (both days inclusive), there will be parallel trading at the counters mentioned in (i) and (ii) above; and
- (iv) the temporary counter for trading in Consolidated Shares in the form of the existing share certificates (in yellow colour) in board lots of 10,000 Consolidated Shares will be removed after the close of trading on Friday, 19 August 2011. Thereafter, trading will only be in Consolidated Shares in the form of new share certificates (in green colour) in board lots of 20,000 Consolidated Shares and the existing share certificates (in yellow colour) for Shares will cease to be acceptable for trading and settlement purposes.

Adjustments in relation to the exercise price of the Options

Adjustments to the exercise price of the Options are required after the Share Consolidation. The Company will inform the holder of the Options of the adjustments accordingly.

LETTER FROM THE BOARD

COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

EGM

The notice of EGM to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 4:30 p.m., Friday, 15 July 2011 is set out on pages 11 to 12 of this circular.

The EGM is convened to be held for the purpose of considering and, if thought fit, approving the ordinary resolution by way of poll in respect of the Share Consolidation. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution approving the Share Consolidation at the EGM. There is a form of proxy for use at the EGM accompanying this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, 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 holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you wish to do so and in such event, the proxy shall be deemed to be revoked.

The resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company following the conclusion of the EGM to inform you of its results.

GENERAL

The Group is principally engaged in (i) sale of display equipment, components and related technology and (ii) provision of website development, electronic learning products and services.

RECOMMENDATION

The Directors (including all the independent non-executive Directors) are of the view that the Share Consolidation is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and
2. there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
For and on behalf of the Board
M Dream Inworld Limited
Chi Chi Hung, Kenneth
Chairman

NOTICE OF EGM



M DREAM INWORLD LIMITED

聯夢活力世界有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8100)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of M Dream Inworld Limited (the “**Company**”) will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 4:30 p.m., Friday, 15 July 2011 to consider and, if thought fit, pass the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below):

- (a) every two (2) issued and unissued ordinary shares of HK\$0.05 each in the share capital of the Company be consolidated into one (1) share of HK\$0.10 each (“**Consolidated Share**”) with effect from the business day (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) immediately following the date on which this resolution is passed;
- (b) the Consolidated Shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company;
- (c) all fractional Consolidated Shares shall be disregarded and not be issued to the holders of the existing ordinary shares of the Company; and
- (d) the directors of the Company are hereby authorised to do all such acts and things and execute such further documents, including under the seal of the Company where applicable, as they consider necessary or expedient to give effect to the arrangements set out in the resolution.”

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

Hong Kong, 27 June 2011

* for identification purpose only

NOTICE OF EGM

Registered office:

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

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

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

Notes:

1. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy need not be a registered shareholder of the Company.
3. In order to be valid, the form of proxy must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint holders of any shares in the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.