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## **Inworld Group Limited**

活力世界控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**MAJOR TRANSACTION,  
PROPOSED INCREASE OF AUTHORIZED SHARE CAPITAL,  
PROPOSED CHANGE OF NAME TO M DREAM INWORLD LIMITED  
(聯夢活力世界有限公司)\*  
AND  
RESUMPTION OF TRADING**

The Directors are pleased to announce that on 17 March 2004, Inworld International entered into the MEL Agreement with M Dream China under which and subject to the terms and conditions thereof, Inworld International has agreed to acquire the entire share capital of M Dream MEL for an aggregate consideration of HK\$31,320,000.

Of the HK\$31,320,000 consideration, HK\$4,500,000 will be satisfied in cash; and HK\$26,820,000 will be satisfied by way of the allotment and issue of 298,000,000 new Shares at HK\$0.090 per Share (representing approximately 21.40% of the Existing Capital and 17.63% of the Enlarged Capital) to M Dream China credited as fully paid. The Consideration represents approximately 22.8 times of the unaudited net tangible assets value of M Dream MEL as of 29 February 2004.

The issue price per Share represents a premium of approximately 13.92% to the closing price of HK\$0.079 per Share as quoted on the Stock Exchange on 9 March 2004 (i.e. the date immediately preceding the suspension of trading of the Shares on the Stock Exchange on 10 March 2004) and a premium of approximately 20.16% to the average closing price of HK\$0.0749 per Share of 10 consecutive trading days ended on 9 March 2004.

Mr. Xu and Mr. Wong Kean Li, representatives of M Dream China, will be appointed as the directors of the Company at Completion.

As the Consideration for the MEL Acquisition exceeds 50% of the latest adjusted net tangible asset value of the Company of approximately HK\$41,058,400 as published in the circular to the Shareholders dated 8 March 2004, the MEL Acquisition constitutes a major transaction of the Company under the GEM Listing Rules and hence is subject to reporting, announcement and shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the authorized share capital of the Company was HK\$15,000,000 divided into 1,500,000,000 Shares and the total issued share capital of the Company was HK\$13,926,080 divided into 1,392,608,000 Shares.

Pursuant to the MEL Agreement, the Company shall allot and issue a total of 298,000,000 Shares (i.e. the Consideration Shares) to M Dream China upon Completion. However, based on the existing authorized share capital and the issued share capital of the Company, the Company would not have sufficient unissued shares available for allotment and issue to M Dream China.

In this connection, an ordinary resolution will be proposed to the Shareholders at the EGM to increase the authorized share capital of the Company from HK\$15,000,000 to HK\$30,000,000 by the creation of an additional 1,500,000,000 Shares with effect from the closure of the EGM to facilitate the allotment and issue of the Consideration Shares. As the allotment and issue of the Consideration Shares will also exceed the general mandate given to the Directors pursuant to the resolution passed at the annual general meeting of the Company on 29 October 2003, an ordinary resolution will be proposed at the EGM to grant a specific mandate to the Directors for the allotment and issue of the Consideration Shares to M Dream China pursuant to the terms of the MEL Agreement.

It is also proposed by the Director that the name of the company be changed to M Dream Inworld Limited (聯夢活力世界有限公司\*) upon Completion. The proposed change of name is subject to the approval of the Shareholders by way of a special resolution at the EGM and the approval of the Registrar of Companies in the Cayman Islands.

A circular setting out, inter alia, details of the MEL Acquisition, the proposed increase of the authorized share capital and the proposed change of name of the Company together with the notice of the EGM will be dispatched to the Shareholders as soon as practicable, and in any event within 21 days after the publication of this announcement.

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 10 March 2004, pending the release of this announcement. The Company has applied for resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 18 March 2004.

## **THE MEL AGREEMENT**

Date: 17 March 2004

Parties: (1) Vendor: M Dream China  
(2) Purchaser: Inworld International

### **Assets to be acquired**

Inworld International has conditionally agreed to acquire the entire issued share capital in M Dream MEL from M Dream China free from any encumbrance on and subject to the terms and conditions of the MEL Agreement.

Further details of M Dream MEL are disclosed in the paragraph headed "Information on M Dream China, M Dream MEL and M Dream Zone" below.

## Consideration

The aggregate consideration for the MEL Acquisition is HK\$31,320,000, of which:

- (a) HK\$4,500,000, being approximately 14.37% of the Consideration, will be satisfied in cash and paid to M Dream China at Completion. The cash consideration comprises HK\$4,000,000 from the proceeds of the subscription of new shares completed on 25 February 2004 allocated for potential future acquisition and HK\$500,000 from the Group's internal resources; and
- (b) HK\$26,820,000, being approximately 85.63% of the Consideration, will be satisfied by way of the allotment and issue of 298,000,000 new Shares (representing approximately 21.40% of the Existing Capital and approximately 17.63% of the Enlarged Capital) to M Dream China credited as fully paid at the issue price of HK\$0.090 per Share to M Dream China at Completion. The Consideration Shares shall rank pari passu in all respects with the existing issued Shares immediately prior to the allotment.

All Consideration Shares will be allotted and issued pursuant to the specific mandate proposed to be granted to the Directors by the Shareholders at the EGM.

The issue price per Share represents a premium of approximately 13.92% to the closing price of HK\$0.079 per Share as quoted on the Stock Exchange on 9 March 2004 (i.e. the date immediately preceding the suspension of trading of the Shares on the Stock Exchange on 10 March 2004) and a premium of approximately 20.16% to the average closing price of HK\$0.0749 per Share of 10 consecutive trading days ended on 9 March 2004.

The price per Consideration Share of HK\$0.090 was arrived at after arm's length negotiation between the parties, which had taken into account the then prevailing prices of the Share during the negotiation period, and being a price acceptable to the Group and M Dream China.

The Consideration, representing approximately 22.8 times of the unaudited net tangible assets value of M Dream MEL, was arrived at after arm's length negotiations between the parties based on the Company's internal review and analysis of the current revenue base and subscriber number in relation to the applications provided by M Dream Zone. In particular, it was based on the Company's internal evaluation, which has taken into account of existing popularity of wireless mobile gaming in the PRC, significant growth in the number of mobile phone users as well as the potential synergy to be created with the user base, distribution channels and the information technology knowledge of M Dream MEL, the current number of subscribers of the two applications provided by M Dream Zone to two Internet content providers, namely, Wuxian and Airlong, in the PRC (See the paragraph headed "Information on M Dream China, M Dream MEL and M Dream Zone" below for further details), the historical growth rate of these two applications and the four applications currently under development and proposed to be provided by M Dream Zone. The Consideration represents approximately 13 times the annualized amount of the February 2004 revenue of M Dream MEL. The Directors have also been informed by M Dream MEL that the revenue of M Dream MEL for March 2004 (up to 15 March 2004) is approximately HK\$245,000 which will translate to a price per revenue ratio of only 10.7 times. The directors believe that this ratio only reflects the state of affairs in the previous month.

The two applications launched and currently provided by M Dream Zone to Wuxian and Airlong were adapted from Korea applications. Based on the information provided by M Dream Zone, one of these Korean applications, which was launched in Korea in December 2001, has a subscriber base of approximately 500,000 users in Korea over a mobile phone subscriber base of approximately 28 million people, which represents a penetration rate of 1.79% in the Korean market. The other Korean application was launched in May 2002 and currently has a subscriber base of 200,000 people in Korea. The current mobile phone subscriber population in the PRC is over 250 million. The Directors believe that a similar penetration rate may be reached in the PRC which will translate to a potential subscriber number of 4.48 million people. This is approximately 112 times of the current subscriber number of M Dream and represents a healthy potential growth of M Dream revenue. Based on the information provided by M Dream Zone, for one of the applications to be launched and provided by M Dream Zone in the next six month, the current number of users of that application over the Internet platform (i.e. online games using Internet platform) is over 30 million people and according to M Dream Zone, approximately 5% of these Internet platform users are interested in running the applications over the mobile platform (i.e. playing the games on mobile platform). Based on the information provided by M Dream Zone, there were currently approximately 40,000 subscribers for the two applications provided by M Dream Zone in February 2004.

The directors believe that the total revenue will increase because M Dream MEL has currently launched only 2 applications, another 2 applications are planned for launch within the next quarter and another 2 applications within the year. Based on the increase in number of applications and in turn, an increase in number of subscribers, the revenue of M Dream MEL will increase. Further, the directors believe that the penetration of application service provision over the mobile platform in the PRC may approximate other countries, such as Korea, and thus, with the increase in penetration rate, the revenue of M Dream MEL will also increase.

### **Lock-up period**

Pursuant to the MEL Agreement, the Consideration Shares to be allotted and issued to M Dream China as part of the Consideration may not be sold, pledged, encumbered or otherwise disposed of during a period of 6 months after the date of issuance of the same unless with the prior written consent of the Company.

### **Conditions precedent**

Completion of the MEL Agreement is conditional on, inter alia, the following conditions having been fulfilled:

- (a) the passing by each of the board of directors of Inworld International and M Dream China in a board meeting of a resolution approving the terms of the MEL Agreement and the implementation thereof;
- (b) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;
- (c) the passing of all necessary resolutions by the Shareholders at the EGM to approve, among other things, the terms of the MEL Agreement, the increase of the authorized share capital of Inworld to HK\$30,000,000 divided into 3,000,000,000 shares of HK\$0.01 each, the grant of a specific mandate to the Directors for the allotment and issue of the Consideration Shares to M Dream China and to enable Inworld International to complete and implement the terms of the MEL Agreement;

- (d) the obtaining of legal opinions (in form and substance satisfactory to Inworld International) issued by a firm of PRC lawyers confirming that (i) M Dream Zone has been duly incorporated and in good standing; (ii) the business agreements entered into by M Dream Zone prior to Completion constitute binding obligations of M Dream Zone and are valid and legally enforceable by M Dream Zone and (iii) such other relevant matters of PRC law as Inworld International may require;
- (e) all necessary consents being granted by third parties; and
- (f) the results of a due diligence investigation on M Dream MEL to the reasonable satisfaction of Inworld International.

## **Completion**

Completion shall take place on the third business day after all the conditions precedent described in the MEL Agreement are fulfilled and/or waived by Inworld International or on such later date as the parties may otherwise agree. If the conditions shall not have been fulfilled or waived by Inworld International by the Longstop Date, the MEL Agreement and everything therein contained shall, subject to the liability of any party to the others in respect of any breaches of the terms of the MEL Agreement, be null and void and of no effect.

## **APPOINTMENT OF DIRECTORS**

Pursuant to the MEL Agreement, Mr. Xu and Mr. Wong Kean Li, representatives of M Dream China, will be appointed as directors of the Company at Completion.

Mr. Xu is the Chief Executive Officer of M Dream Co. As the main co-founder of M Dream Co, Mr. Xu was responsible for developing the company's mobile entertainment business, including through negotiations with leading game developers in Japan and Korea, and mobile telecommunications service providers China Mobile and China Unicom. Previously the Chief Executive Officer of Zhejiang University Maikang Computer Limited, a computer company in the PRC, Mr. Xu also possesses 12 years of experience in the information technology and telecommunications industries, including selling IT and telecoms equipment and software to and for China Mobile and China Unicom. Mr. Xu holds a Master of Business Administration from Zhejiang University, the PRC.

Mr. Wong Kean Li is the President and Executive Director of Softbank Investment International (Strategic) Ltd. He was formerly the Vice President for Business Development of Hongkong.com Corporation and Chinadotcom Corporation, as well as an associate lawyer with international law firm Clifford Chance specialising in China law and corporate and Internet/technology matters. Mr. Wong holds an MA in Law from Cambridge University, England.

## **INFORMATION ON M DREAM CHINA, M DREAM MEL AND M DREAM ZONE**

M Dream China is an exempted company incorporated in the Cayman Islands for the purpose of investing in the wireless mobile games and entertainment industry. It was formed on 8 January 2004 initially by Softbank. The other parties acquired their respective interests in M Dream China from Softbank on 16 January 2004 pursuant to the reorganisation of M Dream Co. As at the date of this announcement, the voting rights in general meetings of M Dream China were controlled as to 50.44%, 8.4%, 4.21%, 1.95%, 17.5% and 17.5% by Vasina Limited, M Dream Korea, Joyluck Ventures Inc., Aurelia International Limited, SIIS Investment (No. 1) Limited and Softbank Asia Net Trans (No. 1) Limited respectively, all of such shareholders are independent of and not connected with the Company, the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules). All of the aforesaid shareholders are also not acting in concert with Shenzhen Ingen Technology Company Limited, City Lion Worldwide Limited, the Company, the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules). To the best knowledge of the Directors, no concert party of M Dream China is currently interested in the shares of the Company. To the best knowledge of the Directors, M Dream China and its associates are not acting in concert with any of the shareholders of the Company.

As at the date of this announcement, the principal assets of M Dream China were (1) the 100% equity interests in M Dream Co and (2) the entire issued share capital of M Dream MEL, which is an investment holding company formed in the BVI and has no business other than the holding of the entire interest in M Dream Zone, a wholly foreign-owned enterprise established in the PRC.

M Dream Zone was established in February 2004 with M Dream MEL as the sole shareholder. As disclosed in the business licence of M Dream Zone, M Dream Zone is principally engaged in the research, development and after-sales services of entertainment gaming software. M Dream Zone currently focuses on the provision of application services in relation to valued added services in the wireless mobile games and entertainment market in the PRC, including the provision of information technology solutions to Internet content providers for distribution of wireless mobile games and downloadable applications via the Internet and mobile networks in the PRC in return for service fees paid by Internet content providers. M Dream Zone currently employs 12 persons, of which 1 is the Chief Executive Officer, 6 are responsible for research and development, 3 are for customer service and technical support and 2 are responsible for administration and accounting matters.

In the course of providing such services, M Dream Zone enters into licence agreements with the copyright owners or licence holders of various gaming software and applications in order to obtain the right to further development and exploit the gaming software. Pursuant to the required configuration of its customers and business partners, M Dream Zone then adapts the games and applications into a version which is capable of being downloaded and used under wireless mobile platforms. Through its own research and development, M Dream Zone will also provide gaming software and applications from time to time which are developed by it to facilitate its solutions for wireless mobile games and entertainment. Upon adaptation of the games and applications, the Internet content providers will be able to make available the wireless mobile games and applications for downloads by subscribers of PRC telecommunication operators with which they form business partnership. As at the date of this announcement, M Dream Zone has already launched its services in respect of two wireless mobile games, namely, “Heavy Armored Soldier K (機甲爭霸)” and “Golden Continent (黃金大陸)”. It currently provides services to two principal business partners: (1) Wuxian which is partnering with China Mobile and (2) Airlong which is partnering with China Unicom in respect of the applications.

Apart from the aforesaid, M Dream Zone also provides solutions regarding other mobile entertainment products such as ring tones, wallpapers and screensavers for mobile devices and after-sales services in relation to all its solutions.

The unaudited value of the net tangible assets of M Dream MEL was approximately HK\$1,371,000 as of 29 February 2004. The unaudited value of the net tangible assets of M Dream Zone was approximately HK\$199,000 as of 29 February 2004. By virtue of the entering into of the Mobile Game Licence Provision Agreements, M Dream Zone effectively obtains the intellectual property rights to exploit the Licensed Mobile Games. Such rights are intangible assets and are not reflected in the management accounts as they have been expensed off prior the reorganisation.

## **FURTHER INFORMATION ON M DREAM CO, WUXIAN AND AIRLONG**

As at the date of this announcement, M Dream Co. is wholly owned by M Dream China. To the best knowledge of the Directors, M Dream Co was established in November 2002. The initial shareholders of M Dream Co were owned as to 20% by M Dream Korea, as to 14% by Mr. Xu and as to the rest by six other individuals, all of whom are independent of and not connected with the Company, the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules). The scope of business of M Dream Co is research, development and after sales technical services for entertainment gaming software.

Prior to the establishment of M Dream Zone, the Business was conducted through M Dream Co where M Dream Co had entered into mobile game licence provision agreements between September 2002 and February 2004 in respect of certain wireless mobile games including the Licensed Mobile Games with Eolith and M Dream Korea and technical services agreements with various Internet content providers, namely E-Sky Company Limited (which is independent of and not connected with the Company, the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules)), Wuxian and Airlong, for, among other things, the provision of information technology solutions by M Dream Co. Between January and March 2004, the business of M Dream Co was reorganized such that such business in relation to the Licensed Mobile Games was effectively taken up by M Dream Zone. This was done through the formation of M Dream MEL (a company incorporated under the British Virgin Islands and 100% owned by M Dream China), and the incorporation of M Dream Zone as a PRC wholly foreign-owned enterprise 100% owned by M Dream MEL, with M Dream Zone thereafter acquiring from M Dream Co the relevant parts of the business relating to the operation of the Licensed Mobile Games through various reorganization methods such as rental allocation, employee secondment, and a transfer of the relevant licences. To the best knowledge of the Directors, the business remaining in M Dream Co after the reorganisation relates to high level gaming software research and development, including research and development on network topology such as max min flow control and super N<sup>th</sup> dimension hypercube, to improve accessibility and controllability to multiple users under simultaneous multi-user game environment on the mobile platform. The Company has no intention to acquire such type of business.

On 17 February 2004, M Dream Zone had entered into two technical services agreements with two Internet content providers, namely, Wuxian and Airlong respectively, which terms shall be effective as from 1 February 2004.

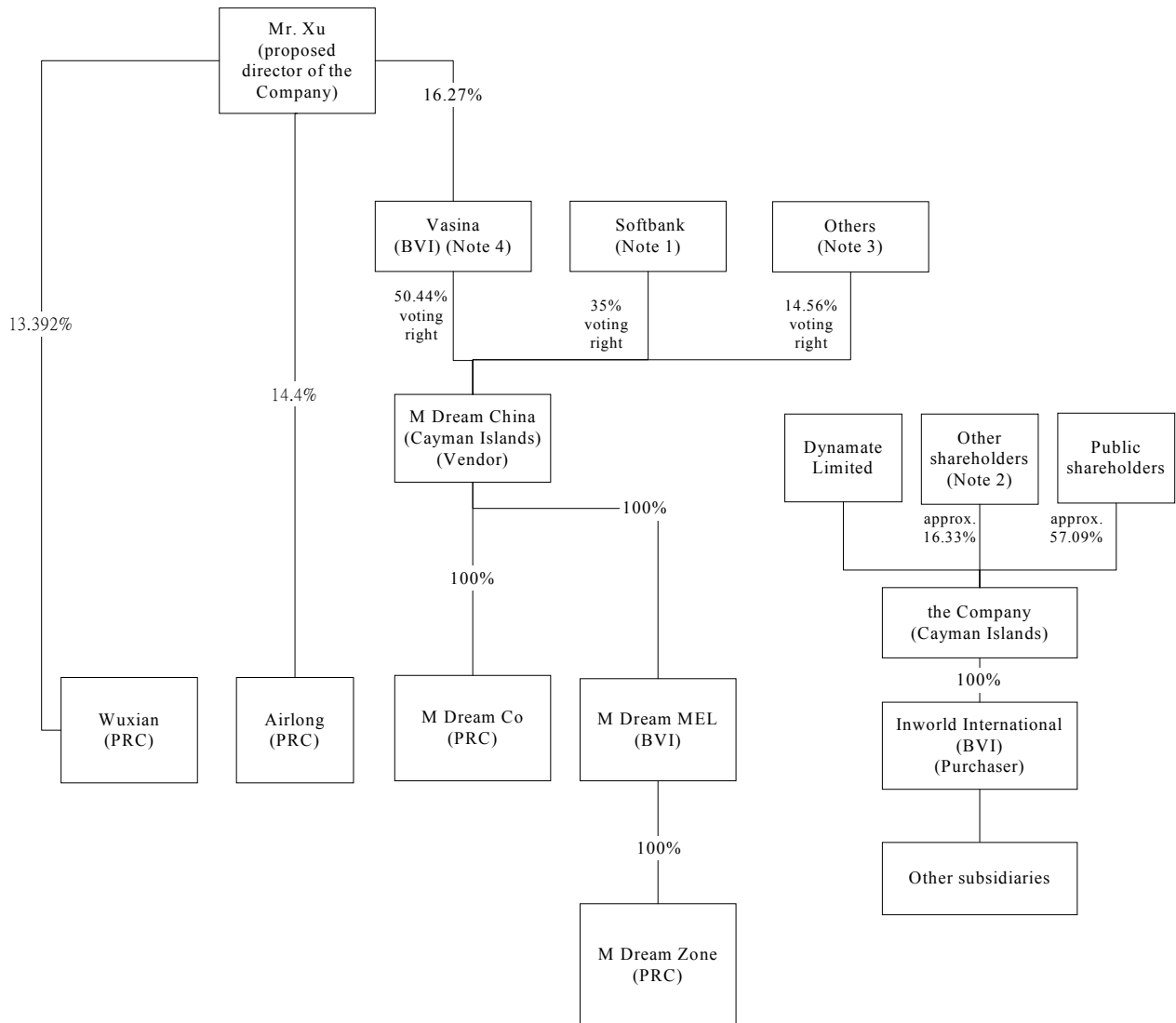
Both Wuxian and Airlong are Internet content providers which have obtained Licences for Operating Valued-added Telecommunication Services (增值電信服務經營許可證) from Zhejiang Communication Administrative Bureau (浙江通信管理局) on 27 October 2003 and 2 September 2003 respectively to operate information services business including provision of internet contents in the PRC. Wuxian and Airlong are currently partnering with telecommunication operators such as China Mobile and China Unicom to supply wireless mobile games and applications to subscribers for downloads and enjoyed on wireless mobile platforms. By entering into technical services agreements with Internet content providers such as Wuxian and Airlong, M Dream Zone will be able to provide information technology solutions to each of them in relation to their business in the PRC.

Wuxian is a domestic enterprise established in the PRC in October 2003. It is owned as to 13.392% by Mr. Xu and as to the rest by seven other individuals, all of whom are independent of and not connected with the Company, the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules). Such seven other individuals do not have any relationship with Mr. Xu apart from being the respective fellow shareholders of Wuxian, Airlong and Vasina Limited.

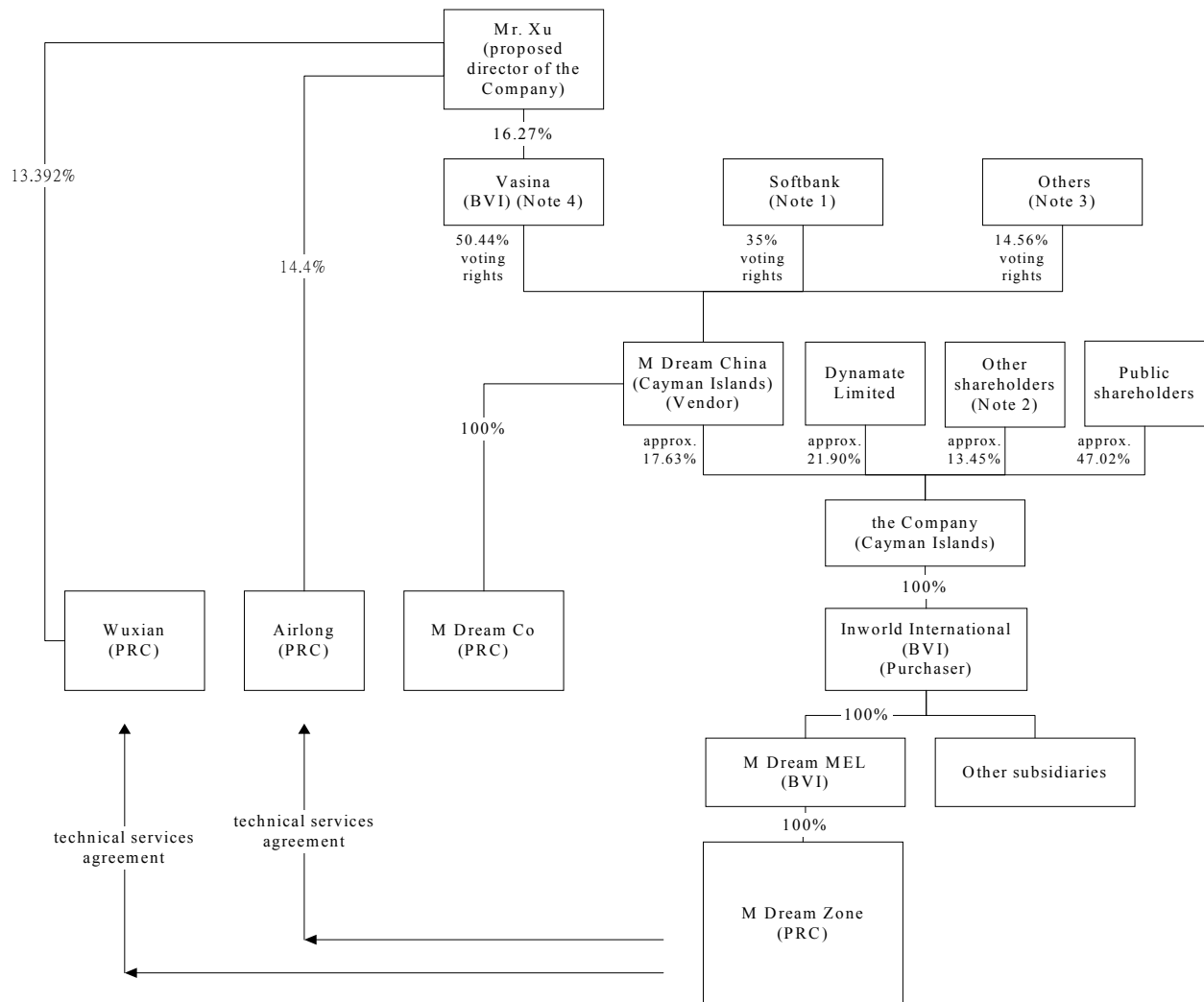
Airlong is a domestic enterprise established in the PRC in August 2003. It is owned as to 14.4% by Mr. Xu and as to the rest by six other individuals, all of whom are independent of and not connected with the Company, the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules).



The following diagram illustrates the structure of the Group and M Dream China prior to the MEL Acquisition:



The following diagram illustrates the structure of the Group and the relationship amongst the Group and M Dream Co, Wuxian, Airlong, M Dream China and other relevant parties immediately after completion of the MEL Acquisition:



*Notes:*

1. The voting rights are controlled by SIIS Investment (No. 1) Limited and Softbank Asia Net Trans (No. 1) Limited.
2. The other shareholders are Shenzhen Ingen Technology Company Limited and City Lion Worldwide Limited.
3. The voting rights in M Dream China were controlled as to 50.44%, 8.4%, 4.21%, 1.95%, 17.5% and 17.5% by Vasina Limited, M Dream Korea, Joyluck Ventures Inc., Aurelia International Limited, SIIS Investment (No. 1) Limited and Softbank Asia Net Trans (No. 1) Limited respectively.
4. Vasina Limited is owned as to 16.27% by Mr. Xu and as to the rest by seven other individuals, all of whom are independent of and not connected with the Company, the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules).

## EFFECTS ON THE SHAREHOLDING STRUCTURE

To the best knowledge and belief of the Directors, the shareholding structure of the Company immediately before the MEL Acquisition and immediately after completion of the MEL Acquisition are as follows:

	Before the MEL Acquisition		After the MEL Acquisition	
	No. of shares held	Approx.%	No. of shares held	Approx. %
Dynamate Limited (Note 1)	370,163,200	26.58%	370,163,200	21.90%
Shenzhen Ingen Technology Company Limited	147,440,000	10.59%	147,440,000	8.72%
City Lion Worldwide Limited (Note 2)	80,000,000	5.74%	80,000,000	4.73%
M Dream China	-	-	298,000,000	17.63%
Public shareholders of the Company	795,004,800	57.09%	795,004,800	47.02%
Total:	1,392,608,000	100.00%	1,690,608,000	100.00%

### Notes:

1. These shares are held by Dynamate Limited of which the entire issued share capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited.
2. The entire issued share capital of City Lion Worldwide Limited is beneficially owned by Styland (Overseas) Limited, which entire issued share capital is in turn beneficially owned by Styland Holdings Limited. Accordingly, each of Styland (Overseas) Limited and Styland Holdings Limited is deemed to be interested in the 80,000,000 shares beneficially owned by City Lion Worldwide Limited.

## REASONS FOR ENTERING INTO THE MEL AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in the business as a system solutions provider. The major system solutions services offered by the Group include information technology consultation and infrastructure services. By providing such services, the Group is engaged in, among other things, hardware and software design and installation, computer system integration, system programming, server collocation, server building, computer system building and computer network building.

The Directors are of the view that the acquisition of M Dream MEL and effectively M Dream Zone will benefit the Group for the following reasons:

- The Group can expand its information technology consultation and infrastructure services on to the mobile platform;
- The Group can participate in the provision of mobile value-added service in the PRC, a large and rapidly growing market;

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- Synergy of M Dream MEL and the Group – the user base and distribution channels of M Dream MEL and the information technology knowledge of the Group are complementary to each other. The user base and distribution channels of M Dream Zone represent access to the internet content provider industry in the PRC, which is a restricted industry limited to Chinese enterprises. Through M Dream Zone current business relationship with PRC internet content providers, the Company can immediately tap into this segment of the market; and
- M Dream MEL will enhance the future revenue-generating and business prospects of the Group.

The Directors consider that the Acquisition offers the Group a good business opportunity for expanding the Group's presence in related business with a growth potential. The Directors believe that the MEL Acquisition is in line with the statement of business objectives of the Company as disclosed in the Prospectus.

The Directors confirm that the Group will continue to provide its existing services and to carry on its existing business after the MEL Acquisition. The Directors confirm that the Group will not change its business nature as disclosed in the Prospectus after the MEL Acquisition. The Directors also confirm that M Dream China will not control the board of Directors upon Completion.

Since the preliminary negotiations with M Dream China which started in January 2004, the Company has conducted appropriate level of due diligence and review procedures on the business operation and statutory records of the acquired assets. The directors had met with key personnel of M Dream MEL and visited their operations in Hangzhou, the PRC during which M Dream MEL demonstrated their applications and information technology services to the Company. The Company had also reviewed supporting documents for M Dream MEL's operating revenue and related agreements, including the Mobile Game Licence Provision Agreement, the technical service agreements entered into between M Dream Zone and Wuxian and Airlong respectively, the relevant tenancy agreement and employment contracts.

#### **INCREASE OF AUTHORIZED SHARE CAPITAL AND SPECIFIC MANDATE TO ALLOT AND ISSUE SHARES TO M DREAM CHINA**

As at the date of this announcement, the authorized share capital of the Company was HK\$15,000,000 divided into 1,500,000,000 Shares and the total issued share capital of the Company was HK\$13,926,080 divided into 1,392,608,000 Shares.

Pursuant to the MEL Agreement, the Company shall allot and issue a total of 298,000,000 Shares (i.e. the Consideration Shares) to M Dream China upon Completion. However, based on the existing authorized share capital and the issued share capital of the Company, the Company would not have sufficient unissued shares available for allotment and issue to M Dream China.

In this connection, an ordinary resolution will be proposed to the Shareholders at the EGM to increase the authorized share capital of the Company from HK\$15,000,000 to HK\$30,000,000 by the creation of an additional 1,500,000,000 Shares with effect from the closure of the EGM to facilitate the allotment and issue of the Consideration Shares. As the allotment and issue of the Consideration Shares will also exceed the general mandate given to the Directors pursuant to the resolution passed at the annual general meeting of the Company on 29 October 2003, an ordinary resolution will be proposed at the EGM to grant a specific mandate to the Directors for the allotment and issue of the Consideration Shares to M Dream China pursuant to the terms of the MEL Agreement. No Shareholder will have to abstain from voting on these resolutions at the EGM.

## **APPLICATION FOR LISTING**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be issued pursuant to the terms of the MEL Agreement. This announcement appears for information purpose only and does not constitute an invitation of offer to acquire, purchase or subscribe for the Shares.

## **PROPOSED CHANGE OF NAME**

It is proposed by the Directors that the name of the Company be changed to M Dream Inworld Limited (聯夢活力世界有限公司\*) upon Completion to reflect the acquisition of M Dream MEL and effectively M Dream Zone. The proposed change of name is subject to the approval of the Shareholders by way of a special resolution at the EGM and the approval of the Registrar of Companies in the Cayman Islands.

## **GENERAL**

As the Consideration for the MEL Acquisition exceeds 50% of the latest adjusted net asset value of the Company of approximately HK\$41,058,400 as published in the circular to the Shareholders dated 8 March 2004, the MEL Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

An ordinary resolution will be proposed at the EGM for the approval of the terms of the MEL Agreement by the Shareholders. The Directors confirm that they are not aware of any Shareholder who has interest in the MEL Acquisition other than being a shareholder of the Company. As such, the Directors believe that no Shareholder is required to abstain from voting on the relevant resolution in relation to the MEL Acquisition at the EGM.

Based on the analysis of current revenue of M Dream MEL and the analysis of the potential of application service provision over the mobile platform, the Directors, including the independent non-executive Directors, consider that the MEL Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties to the MEL Agreement and that the terms of the MEL Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

A circular setting out, inter alia, details of the MEL Acquisition, the proposed increase of the authorized share capital and change of name of the Company together with the notice of the EGM will be dispatched to the Shareholders as soon as practicable, and in any event within 21 days after the publication of this announcement.

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 10 March 2004, pending the release of this announcement. The Company has applied for resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 18 March 2004.

## DEFINITIONS

“%”	per cent.
“Airlong”	means 杭州龍在天信息科技有限公司 (Hangzhou Airlong Information Technology Co., Ltd.), a domestic joint venture company established in the PRC
“Business”	mean the business carried or to be carried on by M Dream Zone
“BVI”	means the British Virgin Islands
“Company”	means Inworld Group Limited, an exempted company incorporated in the Cayman Islands and whose shares are listed on GEM
“Completion”	means the completion of the MEL Acquisition
“Consideration Shares”	means 298,000,000 new Shares credited as fully paid at the issue price of HK\$0.090 per Share to be allotted and issued to M Dream China as part of the Consideration
“Consideration”	means the aggregate consideration in the amount of HK\$31,320,000 payable by Inworld International for the MEL Acquisition
“Director(s)”	means the director(s) of the Company
“EGM”	means the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the terms of the MEL Agreement, the increase of authorized share capital of the Company from HK\$15,000,000 to HK\$30,000,000 by the creation of an additional 1,500,000,000 Shares with effect from the closure of the meeting, the grant of a specific mandate to the Directors for the allotment and issue of the Consideration Shares to M Dream China pursuant to the terms of the MEL Agreement and the proposed change of name of the Company
“Enlarged Capital”	means 1,690,608,000 Shares in issue in the share capital of the Company upon the Completion assuming that there are no further issue of the Shares from the date of the Agreement up to the Completion other than the Consideration Shares
“Eolith”	means Eolith Company Limited (Eolith 株式會社), a company incorporated in the Republic of Korea which is independent of and not connected with the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules)

“Existing Capital”	means 1,392,608,000 Shares in issue in the share capital of the Company as at the date of this announcement
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“GEM”	means the Growth Enterprise Market of the Stock Exchange
“Group”	means the Company and all of its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Inworld International”	means Inworld International Limited, a limited liability company incorporated under the laws of the British Virgin Islands, being a wholly-owned subsidiary of the Company
“Licensed Mobile Games”	means the six wireless mobile games being the subject of the Mobile Game Licence Provision Agreements
“Longstop Date”	means 31 July 2004 (or such later dates as may be agreed between M Dream China and Inworld International)
“M Dream China”	means M Dream China (Holdings) Limited, a company incorporated under the laws of the Cayman Islands and is controlled as to approximately 50.44% by Vasina Limited and is independent of the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules)
“M Dream Co”	means 杭州聯夢娛樂軟件有限公司 (Hangzhou M Dream Co. Ltd.), a PRC wholly foreign-owned enterprise, the sole shareholder of which is M Dream China
“M Dream Korea”	means M Dream Co., Ltd., a company incorporated in the Republic of Korea which is independent of the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules)
“M Dream MEL”	means M Dream Mobile Entertainment Limited, a limited liability company incorporated under the laws of the British Virgin Islands, being a wholly-owned subsidiary of M Dream China at the date of the MEL Agreement

“M Dream Zone”	means 杭州聯夢地帶軟件有限公司 (Hangzhou M Dream Zone Co., Ltd.), a wholly foreign-owned enterprise established in the PRC by M Dream China on 17 February 2004 which is principally engaged in the development, distribution, provision and supply of gaming services and various downloadable applications for wireless mobile games
“MEL Acquisition”	means the acquisition by Inworld International of the entire issued share capital in M Dream MEL from M Dream China as contemplated under the MEL Agreement
“MEL Agreement”	means the agreement entered into between M Dream China and Inworld International in respect of the MEL Acquisition dated 17 March 2004
“Mobile Game Licence Provision Agreements”	means two wireless mobile game licence provision agreements with Eolith on 29 February 2004 which terms shall be effective as from 1 February 2004 for, among other things, the grant of a licence to M Dream Zone to use, distribute, sub-license or otherwise exploit the six respective wireless mobile games and to provide services through mobile telecommunication operators in relation thereto in the PRC
“Mr. Xu”	means Mr. Xu Hanjie, one of the founders of M Dream Co and a proposed director of the Company upon completion of the MEL Agreement
“PRC”	means the People’s Republic of China, excluding Hong Kong
“Prospectus”	means the prospectus of the Company dated 18 December 2001
“Share(s)”	means the share(s) of par value of HK\$0.01 each in the authorized capital of the Company
“Shareholder(s)”	means shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“wireless mobile games”	means games and entertainment related applications which can be downloaded to and operated by wireless mobile phone handsets
“Wuxian”	means 杭州聯夢無限娛樂軟件有限公司 (Hangzhou M Dream Wuxian Entertainment Software Co., Ltd.), a domestic joint venture company established in the PRC



By Order of the board of Directors  
**Inworld Group Limited**  
**Koh Tat Lee, Michael**  
*Chairman*

Hong Kong, 17 March 2004

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*

*\* For identification purpose only*