

IN THE GRAND COURT OF THE CAYMAN ISLANDS

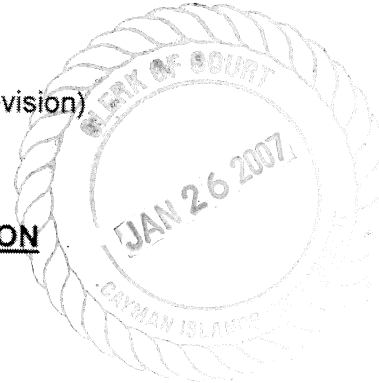
CAUSE NO. 37 OF 2007

In the matter of **M Dream Inworld Limited**

And in the matter of the Companies Law (2004 Revision)

And Grand Court Rules 1995 Order 102

PETITION



TO: The Grand Court of the Cayman Islands

THE PETITION of **M Dream Inworld Limited** shows as follows:

1. The object of this Petition is to seek an Order of the Court pursuant to section 15 of the Companies Law (2004 Revision) (the "Companies Law") confirming a reduction of the capital of your Petitioner **M Dream Inworld Limited** (the "Company").
2. The Company was incorporated under the Companies Law on 30 July 2001 with the name "Inworld Group Limited" and registered in the Cayman Islands as an exempted company with registration number CR-111921. On 24 May, 2004, the name of the Company was changed from "Inworld Group Limited" to "M Dream Inworld Limited".
3. The registered office of the Company is situated at the offices of Maples and Calder, P.O. Box 309, Uglan House, South Church Street, George Tower, Grand Cayman, Cayman Islands, British West Indies.
4. Upon the date of incorporation of the Company, its authorised share capital was HK\$15,000,000 divided into 1,500,000,000 shares of a nominal or par value of HK\$0.01 each.
5. On 17 May, 2004, an ordinary resolution was passed by the shareholders of the Company at its extraordinary general meeting to increase its authorized share capital from HK\$15,000,000 to HK\$30,000,000 by the creation of an additional 1,500,000,000 ordinary shares of HK\$0.01 par value each.

6. On 25 October, 2004, an ordinary resolution was passed by the shareholders of the Company at its extraordinary general meeting to increase its authorized share capital from HK\$30,000,000 to HK\$60,000,000 by the creation of an additional 3,000,000,000 shares of HK\$0.01 par value each.
7. The shares of the Company are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 31 December, 2001. Over the years, the Company has allotted and issued various tranches of ordinary shares, being the only class of shares of the Company. As at the date of this Affirmation, the authorised share capital of the Company is HK\$60,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.01 each and its issued share capital is HK\$26,069,499.11 divided into 2,606,949,911 ordinary shares of HK\$0.01 each.
8. The objects for which the Company was formed are unrestricted.
9. The Articles of Association of the Company provide, *inter alia*, as follows:

Article 63 “(a) The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be

questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateable in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Law; and
 - (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, subject nevertheless to the provisions of the Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.
- (b) The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Law."

10. By a special resolution of the Company (the "Special Resolution") duly passed in accordance with section 14(1) of the Companies Law at an extraordinary general meeting held on 29 December, 2006, (the "Extraordinary General Meeting"), it was resolved:

"THAT, conditional and effective upon (i) compliance with any conditions which the Grand Court of the Cayman Islands (the "Court") may impose, (ii) the confirmation of the Capital Reduction (as defined below) by the Court and the registration by the Registrar of Companies in the Cayman Islands of a copy of the court order confirming the Capital Resolution (as defined below) and the minutes approved by the Court containing the particulars required under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands; and (iii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and the permission to deal in, shares of HK\$0.01 each in the issued share capital of the Company upon the Capital Reorganisation (as defined below) becoming effective:

- (a) every ten shares of HK\$0.01 in the capital of the Company in issue on the date this resolution becomes effective (the "Effective Date") be consolidated into one (1) share of HK\$0.10 (the "Consolidated Share") in the issued capital of the Company (the "Share Consolidated") and any fractional Consolidated Shares be aggregated and sold for the benefit of the Company;
- (b) the issued share capital of the Company be reduced by cancelling paid up capital to the extent of HK\$0.09 on each of the Consolidated Share of HK\$0.10 in the capital of the Company in issue on the Effective Date (the "Capital Reduction") so that each issued share in the capital of the Company shall be treated as one fully-paid up share of HK\$0.01 each in the capital of the Company (the "Reduced Share");
- (c) subject to and forthwith upon the Capital Reduction taking effect, the credit arising from the Capital Reduction be credited to the distributable reserve account of the Company where they may be utilised in accordance with the association of the Company and all applicable laws, including to cancel the share premium of the Company as at 31 December 2005 (the "Share Premium Cancellation"); and
- (d) The Directors be authorised to do all such things, take all such steps and execute all such documents."

Each of the capitalised terms referred to in the Special Resolution above are defined in the information circular exhibited to the affirmation of Koh Tat Lee, Michael ("MK-6").

11. The number of members of the Company present and voting in person or by corporate representatives or by proxy at the Extraordinary General Meeting is as set out in the table below:-

	Present & Voting	For	Against
How Present	No.	No.	No.
In person/by corporate representatives	3 members	3 members	0 member
By proxy	5 members	5 members	0 member
Total	8 members	8 members	0 member

As appeared from the table, the Extraordinary General Meeting was attended in person or by corporate representatives or by proxy by 8 members representing 2,079,744,743 voting shares of the Company and approximately 80% of the total number of voting shares of the Company, all of whom voted in favour of the resolution and none voted against the resolution. The resolution was voted on by way of show of hands and the members present and voting in person or by corporate representatives or by proxy at the Extraordinary General Meeting represents more than three-fourths of the votes cast for the resolution approved the consolidation of Shares, the Capital Reduction and the Share Premium Cancellation and therefore the chairman of the Extraordinary General Meeting declared the resolution passed in accordance with the Articles of Association of the Company.

12. There was an audited accumulated loss of about HK\$177,624,000 as shown in the audited accounts of the Company for the year ended 31 December, 2005. The purpose of the proposed Capital Reduction is to enable the Company to apply the credit or part thereof arising from the Capital Reduction and the Share Premium Cancellation to the distributable reserve account of the Company where it may be utilized by the directors of

the Company in accordance with the articles of association of the Company and all applicable laws.

13. The proposed Capital Reduction does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital. Furthermore, the Capital Reduction will not alter the underlying assets, business operations, management or financial position of the Company nor will it affect the proportionate interests of the shareholders.
14. The form of Minute proposed to be registered is as follows:-

"The issued share capital of M Dream Inworld Limited (the "Company") was by virtue of a Special Resolution passed on [•], 2006 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [•], 2007, reduced from HK\$26,069,499.11 divided into 260,694,991.1 ordinary shares of HK\$0.10 each to HK\$2,606,949.91 divided into 260,694,991 ordinary shares of HK\$0.01 each (the "Capital Reduction"). At the date of the registration of this Minute, the authorised share capital of the Company is HK\$60,000,000 divided into 6,000,000,000 shares of HK\$0.01 each, of which 2,606,949,911 ordinary shares of HK\$0.01 each have been issued and are fully paid or credited as fully paid."

Your Petitioner, the Company, therefore prays as follows:

- (1) That the Capital Reduction of the Company proposed to be effected by the Special Resolution set forth in paragraph 10 of this Petition may be confirmed and that the above-mentioned Minute may be approved by the Court.
- (2) That to this end, all necessary inquiries and directions may be made and given.
- (3) Such further and other order as this Honourable Court shall think fit.

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