



Inworld Group Limited

活力世界控股有限公司*

(Incorporated in the Cayman Islands with limited liability)



THIRD QUARTERLY REPORT 2001/02

* For identification only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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The Directors collectively and individually accept full responsibility for this document which is given in compliance with the requirements (Rules Governing the Listing of Securities on the Growth Enterprise Market) of the Stock Exchange. The Directors confirm, having made all reasonable enquires, that to the best of their knowledge and belief, (i) the information contained in the document are accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this document have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.

Highlights

- Unaudited turnover decreased by approximately HK\$1,535,000 for the nine months ended 31st March 2002 representing a decrease of approximately 29% as compared to the corresponding period in 2001.
- Net profit attributable to shareholders was approximately HK\$716,000 for the nine months ended 31st March 2002.
- The Directors do not recommend an interim dividend for the nine months ended 31st March 2002.

QUARTERLY RESULTS (UNAUDITED)

The directors (the "Directors") of Inworld Group Limited (the "Company") are pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the nine months and three months ended 31st March 2002 together with comparative figures for the corresponding periods in 2001 as follows:

	Notes	Nine months ended 31st March		Three months ended 31st March	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	3	3,713	5,248	1,056	1,973
Cost of services rendered		(1,953)	(1,473)	(748)	(721)
Gross profit		1,760	3,775	308	1,252
Other revenues		258	15	164	10
Profit on sale of investment security		4,460	—	—	—
Distribution costs		(1,174)	(943)	(288)	(84)
Administrative expenses		(4,157)	(2,288)	(1,903)	(904)
Depreciation		(441)	(295)	(161)	(103)
Operating profit/(loss)		706	264	(1,880)	171
Finance cost		—	(32)	—	—
Profit/(loss) before taxation		706	232	(1,880)	171
Taxation	4	—	—	—	—
Profit/(loss) before minority interests		706	232	(1,880)	171
Minority interests		10	—	10	—
Net profit/(loss) attributable to shareholders		716	232	(1,870)	171
Earnings/(loss) per share					
— Basic (cents)	5	0.14	0.048	(0.32)	0.036

Notes:

1. **Group reorganisation and basis of presentation**

The Company was incorporated in the Cayman Island under the Companies Law as an exempted company with limited liability on 30th July 2001. Pursuant to a group reorganisation (the "Reorganisation") for the listing of the Company's shares on GEM, the Company became the holding company of the Group on 24th September 2001. The shares of the Company were listed on GEM on 31st December 2001.

The unaudited consolidated results of the Group for the nine months and three months ended 31st March 2002 include the results of the Company and all of its subsidiaries for the nine months and three months ended 31st March 2002.

The comparative unaudited combined results have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries prior to the date of their acquisition pursuant to the Reorganisation on 24th September 2001. Accordingly, the unaudited combined results of the Group for the nine months and the three months ended 31st March 2001 include the results of the Company and its subsidiaries with effect from 1st July 2000 as if the current Group structure has been in existence throughout the nine months ended 31st March 2001.

All significant transactions and balances between companies now comprising the Group have been eliminated on consolidation.

2. **Principal accounting policies**

The unaudited consolidated results of the Group are prepared in accordance with the requirements as set out in the GEM Listing Rules and the Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants and are consistent with those used in the Accountants' Report as set out in the prospectus of the Company dated 18th December, 2001 (the "Prospectus").

3. **Turnover**

Turnover represents system solution service, sales of internet-based application and web page design and development and banner design and advertisement.

4. **Taxation**

No provision for Hong Kong profits tax has been made in the accounts as the Group had no assessable profits in Hong Kong for the nine months and three months ended 31st March 2002 and the corresponding periods in 2001.

4. **Taxation** (Cont'd)

The Company's overseas subsidiaries are subject to the tax laws of those countries. No provision for overseas profit tax has been made in the accounts, as the subsidiaries had no assessable profits for the nine months and three months ended 31st March 2002 and the corresponding periods in 2001.

5. **Earnings/(loss) per share**

The calculation of the Group's basic earnings / (loss) per share for the nine months and three months ended 31st March 2002 is based on the Group's profit / (loss) attributable to shareholders of approximately HK\$716,000 (profit) and HK\$1,870,000 (loss) respectively (nine months and three months ended 31st March 2001: approximately HK\$232,000 (profit) and HK\$171,000 (profit) respectively) and the weighted average number of approximately 512,934,306 and 576,000,000 respectively for the nine months and three months ended 31st March 2002 (nine months and three months ended 31st March, 2001: 480,000,000 shares) on the assumption that 480,000,000 shares had been in issue throughout the respective periods.

There were no diluted potential ordinary shares in issue during the nine months and three months ended 31st March 2002 and the corresponding periods in 2001.

6. **Reserves**

	Share Premium HK\$'000	Contributed surplus HK\$'000	Retained Profits/ losses) HK\$'000	Total HK\$'000
At 1st July 2000	—	—	(4,217)	(4,217)
Capitalisation of shareholders' loan	12,195	—	—	12,195
Profit for the year	—	—	51	51
At 30th June 2001 and 1st July 2001	12,195	—	(4,166)	8,029
Elimination upon Reorganisation	(12,195)	—	—	(12,195)
Share issued at premium	29,760	—	—	29,760
Share issue expenses	(7,094)	—	—	(7,094)
Arising on the Reorganisation	—	12,195	—	12,195
Capitalisation issue of shares to then shareholders	—	(4,799)	—	(4,799)
Profit for the period	—	—	716	716
At 31st March 2002	<u>22,666</u>	<u>7,396</u>	<u>(3,450)</u>	<u>26,612</u>

FINANCIAL REVIEW

The unaudited consolidated turnover of the Group for the nine months ended 31st March 2002 was approximately HK\$3,713,000, representing a 29% decrease as compared to the unaudited consolidated turnover of the Group of approximately HK\$5,248,000 for the corresponding period in 2001.

Resulting from the Group's expansion and additional fees following the listing of the Company's shares on GEM, both administration expenses and distribution cost increased during the nine months ended 31st March 2002. In order to control the operation costs, the Group seeks to create a simpler, more efficient organization structure by actively redeploing the Group's resources and personnel.

The Group recorded a net profit of approximately HK\$716,000. Such net profit was mainly attributable to the profit on sale of investment security during the nine months ended 31st March 2002.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31st March 2002 (2001 — nil), in line with the statement in the Prospectus.

BUSINESS REVIEW

The Group's overall business objective is to become a leading system solutions provider and IT consultant targeting at the SMEs in the Asian Region with a primary focus in Hong Kong, the PRC and Singapore and the actual progress is summarized as follows:

IT infrastructure and consultation project

During the period under review, the Group has made every effort to enlarge the market shares in Hong Kong and Singapore. Based on the Group's experience in developing IT solutions and experience from completed projects, IT consultation and infrastructure services have been accounted for a significant percentage of the Group's total revenue during the period. In addition, the Group has introduced a new infrastructure service namely "Wire Free Office" to help SMEs to maximize office mobility.

Internet-based applications

The Group's R&D team has conducted research and development on new applications, namely, web to PDA transforming system and PIM system which are aimed to expand the product category to maintain the Group's competitiveness. In addition, the technical team has dedicated effort to improve functions and features of Intranet system and ticketing system. Studies regarding data and security management have never been ceased to support continuous improvement on Inworld's service.

ASP development

A revised version of Inworld Marketplace has been rolled out during the period under review. The new Inworld Marketplace has been renewed as a supply-and-demand message platform which allow companies to expose business opportunities in Hong Kong, Singapore, PRC and other parts of the world. The Group intended to expand the ASP business in PRC and the Group is confident that the ASP development would provide a promising growth for the company in the future.

Arouse market awareness

The Group has been actively participated in promotion activities to arouse market awareness of the Group's system solution services. In March 2002, the Group had participated in Info and Infrastructure Expo 2002 to promote the Group's system solution and ASP business. With expanding business in existing business and new established region, the Group will implement series of marketing and promotion activities to promote the services.

Expand the geographical presence

On mid March 2002, the Group has expanded its presence to Macau by acquiring a local company which business is mainly focus on cyber café, online hotel booking service and hotel online station service. The online hotel booking service will provide clients the reservation service of more than 2000 hotels in South-East Asia while the hotel online station service will allow clients to access the Internet in hotel by inserting coins to a web-connected vendor machine. The Directors believe that the expansion would sharpen the competitive edge of the Group's business and better utilization of its resources and will provide positive contribution to the Group no later than mid 2003.

PROSPECTS

The Group will continue paying effort to capture larger marketing share and improve the service quality the Group provided. In addition, the Group intends to conduct research and studies regarding packaging generic application into a multi-function generic product catered for the SMEs and software house.

Recently, the Group is developing customer relationship management system and human resources management (HRM) system which help clients to improve the efficiency in their daily customer and administrative operation. As a matter of fact, the Group is now developing a HRM system (Phase 1) for Reebok Trading (Far East) Limited and is confidence to win the Phase II contract in the near future. In addition, the Group is also providing online promotion service to Hon Po Group (Lobster King) Limited in an online ordering project and is negotiating with a cosmetic retailer to develop a prepaid card system.

The PRC's accession into the World Trade Organisation and hosting of the Olympic Games in 2008 presents a significant opportunity to the Group. To capitalize on this, the Group is now establishing a wholly foreign owned enterprise in Shanghai to provide system solution, ASP services and cyber café. The subsidiary is expected to commence its business from June 2002.

Other than system solutions and ASP business, the Group intends to derive benefit from the Group's existing resources, for example, membership database and ICP business. Research and feasibility studies are undergoing so as to ensure the capital will be productively used and protect the Group's shareholders' and investors' interest.

DISCLOSURE OF INTERESTS IN SECURITIES OR DEBT SECURITIES OF THE ISSUER OR ANY ASSOCIATED CORPORATIONS

(1) DIRECTORS AND CHIEF EXECUTIVE

Interests in shares of the Company as at 31st March 2002

Name of director	<i>Notes</i>	Number of shares	Type of interest
Mr. Ngai Kwok Kin, Kevin	1	150,163,200	Corporate
Mr. Chan Wai Lun	2	84,283,200	Corporate

Notes:

1. Mr. Ngai Kwok Kin, Kevin is the sole beneficial shareholder of Dynamate Limited which, in turn, is interested in 26.07% of the issued share capital of the Company.
2. Mr. Chan Wai Lun is the sole beneficial shareholder of Joyview International Limited which, in turn, is interested in 14.63% of the issued share capital of the Company.

Right to acquire shares of the Company

Pursuant to the terms of a pre-IPO Share Option Scheme adopted by the Company on 14th December, 2001 options have been granted to two directors to subscribe for shares of the Company. Details of which are as follows:

Number of director	Name of underlying shares
Mr. Ngai Kwok Kin, Kevin	19,580,000
Mr. Chan Wai Lun	19,230,000

Pursuant to the terms of the Pre-IPO Share Option Scheme, each of Mr. Ngai Kwok Kin, Kevin and Mr. Chan Wai Lun will be entitled to exercise (i) two-third of the options granted to him (rounded down to the nearest whole number) after the expiry of 12 months from 31st December, 2001; and (ii) the remaining options after the expiry of 18 months after 31st December, 2001.

The exercise price for the options granted to the Directors equals to the nominal value of a share.

The Company has also adopted a Share Option Scheme on 14th December 2001, under which the Director may be granted options to subscribe for shares of the Company. Other than the Pre-IPO Share Option Scheme, no options had been granted to the Directors or employees up to the date of this report.

(2) SUBSTANTIAL SHAREHOLDERS

As at 31st March 2002 the shareholders with an interest of 10% or more in the issued share capital of the Company recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance were as follows:

Name	Notes	Number of shares
City Lion Worldwide Limited	1	187,012,800
Styland (Overseas) Limited	1	187,012,800
Styland Holdings Limited	1	187,012,800
Dynamate Limited	2	150,163,200
Mr. Ngai Kwok Kin, Kevin	2	150,163,200
Joyview International Limited	3	84,283,200
Mr. Chan Wai Lun	3	84,283,200

Notes:

1. These shares are beneficially owned by and registered in the name of City Lion Worldwide Limited. City Lion Worldwide Limited is a wholly-owned subsidiary of Styland (Overseas) Limited, which is in turn a wholly-owned subsidiary of Styland Holdings Limited. Accordingly, Styland (Overseas) Limited and Styland Holdings Limited will have a deemed interest in the 187,012,800 shares held by City Lion Worldwide Limited under the SDI Ordinance.
2. These shares are beneficially owned by and registered in the name of Dynamate Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Ngai Kwok Kin, Kevin.
3. These shares are beneficially owned by and registered in the name of Joyview International Limited the entire issued share capital of which is beneficially and wholly owned by Mr. Chan Wai Lun.

SPONSORS' INTEREST

None of the Company's sponsor, Sun Hung Kai International Limited, its directors, employees or associates had any interests in any class of securities of the Company or any other company in the Group.

Pursuant to the agreement dated 17th December, 2001 entered into between the Company and Sun Hung Kai International Limited, Sun Hung Kai International Limited has been retained to act as the Company's sponsor for the period from 31st December, 2001 to 30th June, 2004 in return for a monthly advisory fee.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company had an interest in a business which competes with the Company or may compete with the business of the Company.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM listing rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's reporting process and internal control system.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sales or redemption by the Company or any of its subsidiaries of the Company's listed securities during the nine months ended 31st March 2002.

By order of the Board
Ngai Kwok Kin, Kevin
Chairman

Hong Kong, 10th May 2002