



Inworld Group Limited

活力世界控股有限公司

(Incorporated in the Cayman Islands with limited liability)



**First Quarterly Report  
2002/2003**

## **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.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*The Directors collectively and individually accept full responsibility for this report 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 report 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 report 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\$32,000 for the three months ended 30 September 2002 representing a decrease of approximately 2.4% as compared to the corresponding period in 2001.
- Loss attributable to shareholders was approximately HK\$2,737,000 for the three months ended 30 September 2002.
- The Directors do not recommend an interim dividend for the three months ended 30 September 2002.

## QUARTERLY RESULTS (UNAUDITED)

The directors (the “Directors”) of Inworld Group Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 30 September 2002 together with comparative figures for the corresponding period in 2001 as follows:

	<i>Notes</i>	<b>Three months ended 30 September</b>	
		<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Turnover	2	1,293	1,325
Cost of services rendered		(1,199)	(641)
Gross profit		94	684
Other revenues		111	11
Distribution costs		(749)	(34)
Administrative expenses		(2,057)	(1,024)
Depreciation		(233)	(140)
Loss before taxation		(2,834)	(503)
Taxation	3	—	—
Loss before minority interests		(2,834)	(503)
Minority interests		97	—
Loss attributable to shareholders		(2,737)	(503)
Loss per share	4		
— Basic (cents)		(0.47)	(0.10)
— Diluted (cents)		(0.47)	N/A

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 30 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 24 September 2001. The shares of the Company were listed on GEM on 31 December 2001.

The unaudited consolidated results of the Group for the three months ended 30 September 2002 include the results of the Company and all of its subsidiaries for the three months ended 30 September 2002.

The unaudited consolidated results of the Group are prepared in accordance with all applicable Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Group's annual financial statements for the year ended 30 June 2002.

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

2. **Turnover**

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
System solution service income		
IT projects		
— Consultation	707	600
— Infrastructure	509	485
Banner design and advertisement income	0	240
Web page design and development	24	0
Online room reservation income	10	0
Cyber café income	40	0
Sales of computer periphery product	3	0
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	1,293	1,325
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### 3. **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 three months ended 30 September 2002 and the corresponding period in 2001.

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 three months ended 30 September 2002 and the corresponding period in 2001.

### 4. **Loss per share**

The calculation of the Group's basic loss per share for the three months ended 30 September 2002 is based on the Group's loss attributable to shareholders of approximately HK\$2,737,000 (three months ended 30 September 2001: approximately HK\$503,000) and the weighted average number of approximately 578,306,870 for the three months ended 30 September 2002 (three months ended 30 September 2001: 480,000,000) on assumption that the Reorganisation had been completed on 30 August 1999.

The calculation of the Group's diluted loss per share for the three months ended 30 September 2002 is based on the Group's loss attributable to shareholders of approximately HK\$2,737,000. The weighted average number of ordinary shares used in the calculation was approximately 581,841,493, after adjusting for the number of shares which are deemed to have been issued for no consideration under the Pre-IPO Share Option Scheme as adopted by the Company on 14 December 2001.

No diluted loss per share has been presented for the three months ended 30 September 2001, as the Company did not have any dilutive potential ordinary shares.

5. **Reserves**

	<b>Share Premium</b>	<b>Contributed surplus</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2001	12,195	—	(4,167)	8,028
Issue of shares upon listing	29,760	—	—	29,760
Issuing expenses	(7,094)	—	—	(7,094)
Arising from Reorganisation	(12,195)	12,195	—	—
Capitalisation issue	—	(4,799)	—	(4,799)
Loss for the year	—	—	(4,442)	(4,442)
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At 30 June 2002	22,666	7,396	(8,609)	21,453
Loss for the period	—	—	(2,737)	(2,737)
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At 30 September 2002	<u>22,666</u>	<u>7,396</u>	<u>(11,346)</u>	<u>18,716</u>

## **FINANCIAL REVIEW**

The unaudited consolidated turnover of the Group for the three months ended 30 September 2002 was HK\$1,293,000, representing a 2.4% decrease as compared to the unaudited consolidated turnover of the Group of approximately HK\$1,325,000 for the corresponding period in 2001. During the period under review, the Group had not recorded revenue from banner design and advertisement and the turnover comprised IT projects consultation and infrastructure, web page design and development, online room reservation, cyber café and sales of computer periphery product.

When compared to the corresponding period in 2001, the Group has allocated more resources to explore opportunities for market entry in the Asian countries. In March and June 2002, the Group set up its subsidiaries in Macau and the PRC respectively. This is the main reason for the increase in the administrative expenses and distribution cost for the period under review.

As a result of the reduced turnover and increased operating expenses, the Group recorded a loss approximately HK\$2,737,000.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the three months ended 30 September 2002 (2001 — nil).

## **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, Macau, Singapore and the PRC. The actual progress of these objectives for the period under review 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, Macau, Singapore and the PRC. 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 kept updating our clients with the latest infrastructure technology in order to help the clients keep pace with the market movement.

## **Internet-based applications**

During the period, the Group's R&D team has conducted various research and development on new online shopping and online catalogue applications which are aimed to improve functions and features of the online transaction system. In addition, the Group has the intention to pack various potential application's modules which have been built by the Group into generic application products under the brand name of Inworld and marketing them in the market. Furthermore, studies regarding data and security management have never been ceased to support continuous improvement on Inworld' service.

## **ASP development**

After rolling out of the new Inworld Marketplace in March 2002, a number of users have been using our supply-and-demand message platform 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 Group in the future.

## **Arouse market awareness**

The Group has actively participated in promotion activities to arouse market awareness of the Group's system solution services. During the period, the Group has revamped the system solution web pages in order to update product information to the customers. In addition, the Group has placed several advertisements in local magazines to promote the Group's system solutions service. With expanding business in existing markets and newly established region, the Group will implement series of marketing and promotion activities to promote the services.

## **Expand the geographical presence**

After setting up an office in Shanghai, PRC in June 2002, the Group has established a branch office in Beijing, PRC to run system solutions, ASP and computer products sourcing services businesses. In order to cater for the growing demand for entertainment facilities for the new generation in Beijing, the Group is conducting the feasibility studies and research on the profit potential of running Cyber Café near campus area. The Directors expected that the expansion into PRC would sharpen the competitive edge of the Group's business and better utilization of its resources.

## PROSPECTS

The Group will continue paying effort to capture larger market share and diversify service or business the Group is involved. 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 houses. After setting up the Shanghai and Beijing office, the Group has been actively involved in variety of system solutions and computer products sourcing projects for companies in the PRC. In addition, the Group's subsidiary in Macau has been focused on online reservation service and cyber café business. Furthermore, the Group has finished the system enhancement and content page development project for the Sports Federation & Olympic Committee (SFOC) of Hong Kong, China. Due to our excellent services provided, negotiations have been held between SFOC of Hong Kong, China and the Group in respect of appointing the Group as SFOC's upcoming system solutions provider and we are confident that the Group could gain more different clients in the future.

The PRC's accession into the World Trade Organization and hosting of the Olympic Games in 2008 presents a significant opportunity to the Group. To capitalize on this, the Group has established a branch in Beijing to provide system solution, ASP services and to establish Cyber café.

Other than system solutions and ASP businesses, the Group intends to derive benefit from the Group's existing resources, for example, business 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

As at 30 September 2002, the interests of the directors and chief executive of the Company in securities of the Company and its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

<b>Name of director</b>	<i>Notes</i>	<b>Number of shares</b>	<b>Type of interest</b>
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 25.95% 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 14.56% of the issued share capital of the Company.

## **Directors' right to acquire shares or debentures of the Company**

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

<b>Number of director</b>	<b>Number of underlying shares</b>
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 31 December 2001; and (ii) the remaining options after the expiry of 18 months after 31 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 14 December 2001, under which the Directors 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.

Save as disclosed above, at no time during the three months ended 30 September 2002 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their respective spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the period.

## (2) SUBSTANTIAL SHAREHOLDERS

As at 30 September 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:

<b>Name</b>	<b>Notes</b>	<b>Number of shares</b>
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 17 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 31 December 2001 to 30 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 three months ended 30 September 2002.

By order of the Board  
**Ngai Kwok Kin, Kevin**  
*Chairman*

Hong Kong, 14 November 2002