



Inworld Group Limited
活力世界控股有限公司

(Incorporated in the Cayman Islands with limited liability)



Third 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 enquiries, 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\$1,870,000 for the nine months ended 31 March 2003 representing a decrease of approximately 50% as compared to the corresponding period in 2002.
- Loss attributable to shareholders was approximately HK\$12,219,000 for the nine months ended 31 March 2003.
- The Directors do not recommend an interim dividend for the nine months ended 31 March 2003.

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 31 March 2003 together with comparative figures for the corresponding periods in 2002 as follows:

	Notes	Nine months ended 31 March		Three months ended 31 March	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	1,843	3,713	222	1,056
Cost of services rendered		(4,023)	(1,953)	(1,435)	(748)
Gross (loss)/profit		(2,180)	1,760	(1,213)	308
Other revenues		128	258	4	164
Gain on disposal of investment security		—	4,460	—	—
Distribution costs		(682)	(1,174)	(82)	(288)
Administrative expenses		(8,005)	(4,157)	(3,105)	(1,903)
Amortisation		(1,193)	—	(397)	—
Depreciation		(659)	(441)	(203)	(161)
(Loss)/profit before taxation		(12,591)	706	(4,996)	(1,880)
Taxation	3	—	—	—	—
(Loss)/profit after taxation		(12,591)	706	(4,996)	(1,880)
Minority interest		372	10	111	10
(Loss)/profit after taxation and minority interest		(12,219)	716	(4,885)	(1,870)
(Loss)/earnings per share					
— Basic (cents)	4	(2.11)	0.14	(0.84)	(0.32)
— Diluted (cents)	4	(2.01)	N/A	(0.82)	N/A

Notes:

1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands 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 Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the Group's unaudited consolidated results have been prepared as if the Company had been the holding company of the Group throughout the respective financial periods.

These unaudited consolidated results are prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants and the GEM Listing Rules as well as accounting principles generally accepted in Hong Kong. The accounting policies adopted in the preparation of the unaudited consolidated results are consistent with those used in the 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

Turnover represents system solution service, web page design and development, application service provider ("ASP"), cyber cafe and sales of computer periphery product.

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 nine months and three months ended 31 March 2003 and the corresponding periods in 2002.

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 31 March 2003 and the corresponding periods in 2002.

4. (Loss)/earnings per share

The calculation of the Group's basic (loss) / earnings per share for the nine months and three months ended 31 March 2003 is based on the Group's (loss) / profit attributable to shareholders of approximately HK\$12,219,000 (loss) and HK\$4,885,000 (loss) respectively (nine months and three months ended 31 March 2002: approximately HK\$716,000 (profit) and HK\$1,870,000 (loss) respectively) and the weighted average number of approximately 578,542,044 and 578,690,489 shares of the Company respectively for the nine months and three months ended 31 March 2003 (nine months and three months ended 31 March 2002: 512,934,306 and 576,000,000 shares) on the assumption that 480,000,000 shares had been in issue throughout the respective periods.

The calculation of the Group's diluted loss per share for the nine months and three months ended 31 March 2003 is based on the Group's loss attributable to shareholders of approximately HK\$12,219,000 and HK\$4,885,000 respectively and the weight average number of ordinary shares used in the calculation was approximately 607,845,758 and 598,630,979 respectively.

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

5. Reserves

	Share Premium	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 and 1 July 2002	22,666	7,396	(8,609)	21,453
Loss for the period	—	—	(12,219)	(12,219)
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At 31 March 2003	<u>22,666</u>	<u>7,396</u>	<u>(20,828)</u>	<u>9,234</u>

FINANCIAL REVIEW

The unaudited consolidated turnover of the Group for the nine months ended 31 March 2003 was approximately HK\$1,843,000, representing a 50% decrease as compared to the unaudited consolidated turnover of the Group of approximately HK\$3,713,000 for the corresponding period in 2002.

During the period under review, the Group did not have profit from the sale of investment security as the corresponding period in 2002. Also, resulting from Group's expansion and setting up its subsidiaries in the PRC and Macau, both administration expenses and distribution cost increased. Loss attributable to shareholders for the nine months ended 31 March 2003 was HK\$12,219,000.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 March 2003 (2002 - nil).

BUSINESS REVIEW

The Group's overall business objective is to become a leading system solutions provider and IT consultant, providing services to SMEs in the Asian Region with a primary focus in Hong Kong and the PRC. The progress in the period under review is summarized as follows:

IT infrastructure and consultation project

During the period under review, the Group launched a new wireless office infrastructure service in Hong Kong and a new motor geographical positing service (GPS) in the PRC. Since the launching of these new services, we have received a good number of sales enquiries and we have been successful in drawing market attention. In addition, the Group has continued to develop new value-added IT infrastructure service for our clients, helping them keep pace with the latest development in this field.

Internet-based applications

During the period under review, the Group's R&D team has continued to conduct research and feasibility studies on the development of the easy-to-use and outstanding online shopping and online transaction systems. These new systems are aimed at enhancing our corporate image and increasing our market share in Hong Kong and in the PRC. In addition, the Group has conducted feasibility studies on new Internet-based technology in order to broaden our product mix and to sharpen the Group's competitive edge.

ASP development

After rolling out the new Inworld Marketplace in March 2002, we have successfully attracted a good number of users to use our Supply-and-demand Message Platform. The Group intends to expand the ASP business in the PRC and a number of non-Asian countries. We are confident that this expansion plan will help build our corporate image in the PRC as well as other overseas markets, thus lay a solid base for a promising earnings growth in the coming years.

Brand building

During the period under review, the Group actively participated in various promotion activities to draw market attention to our system solution services. Moreover, we applied online advertisement, email advertisement, printed advertisement in local magazines and distributed flyers in major cities of the PRC to promote the Group's brand image and our new services.

Prospects

The board of Directors (the "Board") has decided to re-organize the Singapore office in April 2003, due to fierce competition in the system solutions industry throughout the region. We are confident that this strategy will help reduce operating cost. The resources saved can be better allocated to other profitable business in future.

Notwithstanding the business re-organization in Singapore, the Group will continue broaden our services and business spectrums in order to enhance our profitability. In addition, the Group is now actively exploring and identifying investment and acquisition opportunities in related businesses with growth potential. We expect to finish this project within the next two business quarters.

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

(1) DIRECTORS AND CHIEF EXECUTIVE

As at 31 March 2003, 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:

Name of director	Number of shares	Type of interest
Ms. Lee Wing On	376,000	Personal

Right to acquire shares 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 the following Directors to subscribe for shares of the Company.

Name of director	<i>Notes</i>	Number of underlying shares
Mr. Ngai Kwok Kin, Kevin ("Mr. Ngai")	1	19,580,000
Ms. Lee Wing On ("Ms. Lee")	2	1,154,000

Notes:

1. Pursuant to the terms of the Pre-IPO Share Option Scheme, Mr. Ngai 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 from 31 December, 2001.

2. Ms. Lee was the marketing manager of the Group before she was appointed as an executive director on 31 January 2003. Ms. Lee was originally granted 1,730,000 shares pursuant to the Pre-IPO Share Option Scheme, under which Ms. Lee will be entitled to exercise (i) one-third of the options granted to her (rounded down to the nearest whole number) after the expiry of 6 months from 31 December 2001; (ii) one-third of the options granted to her (rounded down to the nearest whole number) after the expiry of 12 months from the 31 December 2001; and (iii) the remaining options after the expiry of 18 months from 31 December 2001. Ms. Lee subscribed 576,000 shares on 2 July 2002.

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 the 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, during the nine months ended 31 March 2003, none of the Directors or their respective associates was granted options to subscribe for shares of the Company, nor had exercised such rights.

Other than the share option schemes as described above, at no time during the period was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors 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 associates (which has the meaning ascribed to it under the Rules Governing the Listing of Securities on the GEM) had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

(2) SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003 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. Koh Tat Lee, Michael	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. Koh Tat Lee, Michael.
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.

SPONSOR'S 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 nine months ended 31 March 2003.

By order of the Board
Ngai Kwok Kin, Kevin
Director

Hong Kong, 30 April 2003