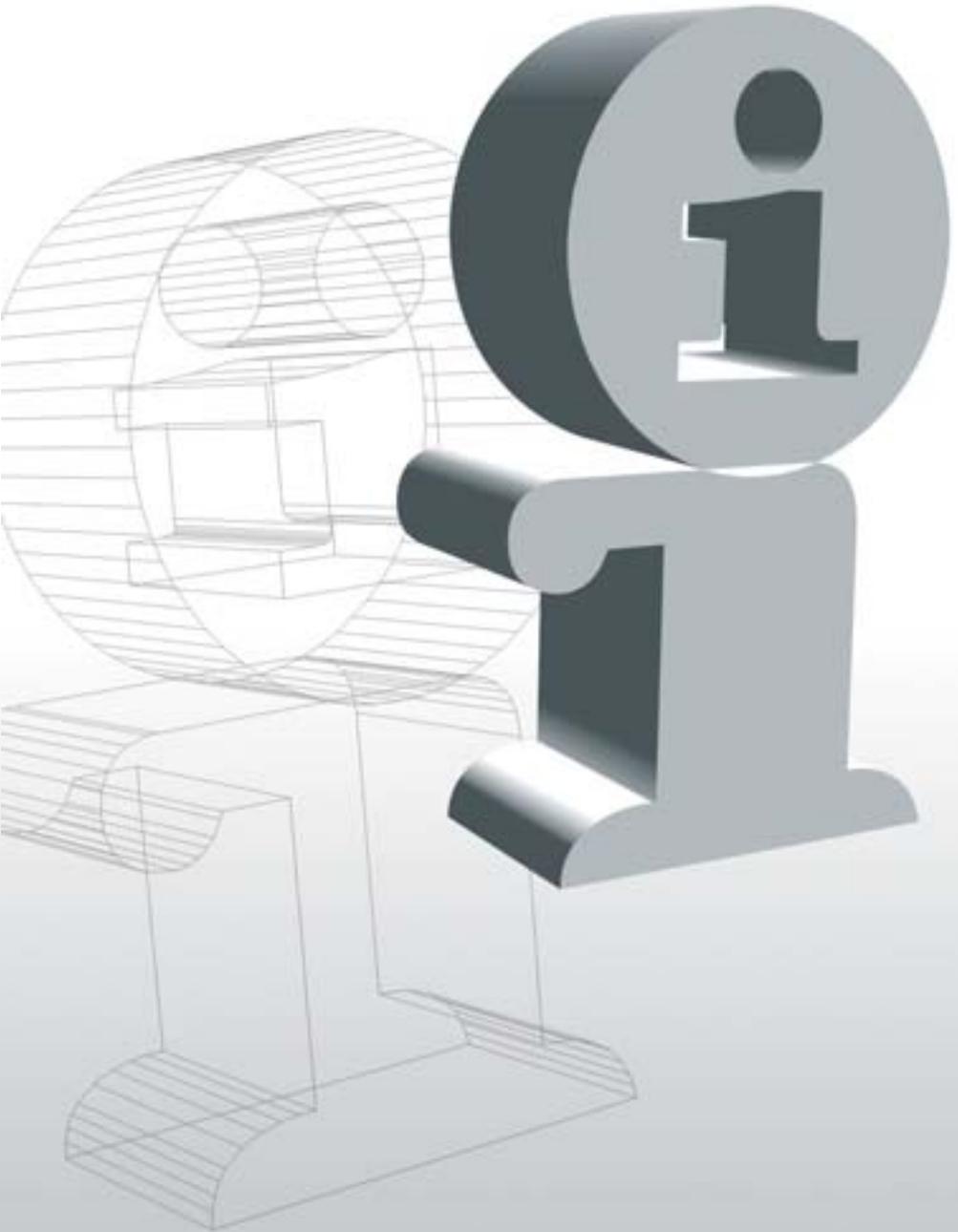




Inworld Group Limited

活力世界控股有限公司

(Incorporated in the Cayman Islands with limited liability)



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 made 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 reports 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 of Hong Kong Limited 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.

This report, for which the Directors (the “Directors”) of Inworld Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, (1) the information contained in the report is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Placement of 150,000,000 new shares was completed in February 2004 to provide a strong foundation for the Group's operation and expansion.
- Acquisition of M Dream for a consideration of HK\$31,200,000 was contracted in March 2004 enabling the Group to expand into the mobile gaming industry in China.
- Huaruiyuan commenced export sale.

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 (collectively referred to as the "Group") for the three months ended 31 March 2004 together with comparative figures for the three months ended 30 September 2003 as follows:

		Three months ended 31 March 2004	Three months ended 30 September 2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		326	619
Cost of services rendered		(100)	(211)
Gross profit		226	408
Other revenues		–	–
Distribution costs		(12)	(151)
Administrative expenses		(1,537)	(1,757)
Amortization of goodwill		(408)	–
Depreciation		(161)	(121)
Loss before taxation		(1,892)	(1,621)
Taxation	2	–	–
Loss after taxation		(1,892)	(1,621)
Minority interest		9	11
Net loss attributable to shareholders		<u>(1,883)</u>	<u>(1,610)</u>
Loss per share			
– Basic (<i>cents</i>)	3	<u>(0.15)</u>	<u>(0.25)</u>
– Diluted (<i>cents</i>)	3	<u>N/A</u>	<u>N/A</u>

Notes:

1. Basis of presentation

The accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except that certain investment securities are stated at fair value.

The accounting policies adopted in the preparation of the accounts are consistent with those used in the annual financial statements for the period ended 31 December 2003. All significant transactions and balances between companies comprising the Group have been eliminated on consolidation.

2. 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 31 March 2004 (2003: Nil).

Taxation on overseas profits is charged at the rates of taxation prevailing in the countries in which the companies operate. No provision for overseas taxation has been made in the accounts as the subsidiaries operating outside Hong Kong have no assessable profits for the period ended 31 March 2004 (2003: Nil).

No provision for deferred taxation has been made as the Group have no material potential liabilities arising on timing difference at 31 March 2004 (2003: Nil).

3. Loss per share

The calculation of the Group's basic loss per share for the three months ended 31 March 2004 is based on the Group's loss attributable to shareholders of approximately HK\$1,883,000 (2003: approximately HK\$1,610,000) and the weighted average number of approximately 1,293,706,901 shares of the Company for the three months ended 31 March 2004 (2003: 636,712,348 shares).

There were no potential dilutive shares in existence for the three months ended 31 March 2004 and, accordingly, no diluted loss per share has been presented.

No diluted loss per share has been presented because the exercise price of the Company's share options was higher than the average market price per share for the quarter ended 31 March 2004.

4. Reserves

	Share Premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2003	22,666	7,396	(27,722)	2,340
Placement of shares Issuance of shares for acquisition of subsidiary	12,000 8,962	–	–	12,000 8,962
Share issuing expenses	(810)	–	–	(810)
Loss for the period	–	–	(1,610)	(1,610)
At 30 September 2003	<u>42,818</u>	<u>7,396</u>	<u>(29,332)</u>	<u>20,882</u>
At 1 January 2004	42,818	7,396	(33,291)	16,923
Placement of shares	7,950	–	–	7,950
Share issuing expenses	(1,024)	–	–	(1,024)
Loss for the period	–	–	(1,883)	(1,883)
At 31 March 2004	<u>49,744</u>	<u>7,396</u>	<u>(35,174)</u>	<u>21,966</u>

5. Change of year end date

During the period ended 31 December 2003, the Group changed its financial year end date from 30 June to 31 December.

FINANCIAL REVIEW

The turnover of the Group was approximately HK\$326,000 for the three months ended 31 March 2004 (2003: HK\$619,000). This represented a seasonal fluctuation of business operations in China. During the months of January and February 2004, most of the businesses in China were closed for Chinese New Year holiday and led to the decline in turnover.

Operating expenses

The operating expenses of the Group had been kept under tight control by management. Total operating expenses decreased by approximately HK\$359,000. Distribution costs dropped by 92% while administrative expenses decreased by 13%.

Loss for the period

The consolidated loss of the Group for the three months ended 31 March 2004 was approximately HK\$1,883,000 (2003: loss of HK\$1,610,000).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2004 (2003: 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, the PRC and Singapore. The Group continues to pursue its overall objective in the current quarter ended 31 March 2004.

After the completion of the acquisition of Shenzhen Huaruiyuan Company Limited ("Huaruiyuan") in September 2003, the Group strengthened the operation and internal control of Huaruiyuan to upgrade its system to international standard. The Group employed international professional manager to be stationed in Huaruiyuan's Shenzhen operation base to spear head the upgraded. Results were prominent as the level of product standard improved significantly. Huaruiyuan successfully expanded its business operation from a pure PRC based company to an international company with exports to overseas market. A positive growth of revenue was recorded from the Huaruiyuan operation.

In February 2004, the Company completed a placement of 150,000,000 new shares to provide a strong foundation for the Group's further operation and expansion.

On 17 March 2004, the Group has entered into a sales and purchase agreement to acquire M Dream Mobile Entertainment Limited ("M Dream"). M Dream is principally engaged in the research, development and after-sale services of entertainment gaming software in the PRC. M Dream also provides other value added services to mobile operators, including China Mobile and China Unicom in the PRC. Details of the acquisition of M Dream were set out in the circular of the Company dated 20 April 2004.

Prospects

Through the acquisition of M Dream, the Group will expand its information technology consultation and infrastructure services on to the mobile platform. The Group will also participate in the provision of mobile value-added service in the PRC, a large and rapidly growing market. The Group will combine the user base and distribution channels of M Dream and the information technology knowledge of the Group to create synergy and in turn, enhance shareholders value. Through M Dream's current business relationship with PRC Internet content providers, the Company can immediately tap into this segment of the market.

The Group will continue to broaden its services as a system solutions provider and its business spectrums in order to improve its profitability. The Group also intends to look for investment and acquisition opportunities in related business with growth potential and to expand its geographical presence by forming strategic and business alliances with local leading information technology companies and business partners in the PRC.

Liquidity, financial resources and gearing

The Group generally finances its operation with internally generated cash flow and remaining portion of the net proceeds from fund raising activities. As at 31 March 2004, shareholders' funds of the Group amounted to approximately HK\$35,891,000 (2003: HK\$33,309,000). Current assets amount to approximately HK\$10,479,000, of which approximately HK\$6,604,000 were cash and bank balances. Current liabilities of approximately HK\$2,261,000 mainly comprised other payables and accrued expenses. The Group expresses its gearing ratio (if any) as a percentage of bank borrowing and long-term debts over total assets. As at 31 March 2004 and to the date of this report, the Group did not have any bank borrowing or long-term debts (2003: Nil).

The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

The capital structure, funding and treasury policies of the Group

The Group intends to finance its operation with its internal resources and net proceeds from fund raising activities. During the three months ended 31 March 2004, the Company allotted and issued 150,000,000 new shares of the Company at a placing price of HK\$0.063 per share through a placement. The net proceeds of the placement was approximately HK\$8,426,000.

During the quarter under review, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Directors do not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group does not employ any financial instruments for hedging purposes and does not engage in foreign currency speculative activities.

Employees and remuneration policies

As at 31 March 2004, the Group had 60 employees (2003: 85), including directors of the Company. For the quarter under review, the remuneration of the Group amounted to approximately HK\$927,000 (2003: 748,000). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. The Group also provides retirement schemes and medical insurance scheme for its employees.

Details of charges on Group assets

During the quarter under review, no assets of the Group were pledged (2003: Nil).

Contingent liabilities

As at 31 March 2004, the Group had no contingent liabilities (2003: Nil).

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

(1) Directors and chief executive

At 31 March 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO") (a) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (b) which were required, pursuant

to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Rules 5.46 to 5.68 of the Rules Governing The Listing of Securities on The Growth Enterprises Market of the Stock Exchange (the “GEM Listing Rules”) relating to securities transaction by Directors, were as follows:

Long position in the Shares

Name of Directors	Personal Interests	Number of shares in the Company			Percentage of Interests
		Family Interests	Corporate Interests	Total Interests	
Mr. Koh Tat Lee, Michael (<i>Note 1</i>)	-	-	370,163,200	370,163,200	26.58%

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.

Save as disclosed above, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the share, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transaction by directors.

(2) Directors’ Rights to acquire shares or Debentures

Apart from as disclosed under the heading “Share Options” below, at no time during the period was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

(3) Share Options

a) *Pre-IPO Share Option Scheme*

On 14 December 2001, the Pre-IPO Share Option Scheme was approved and adopted by a written resolution of all the Shareholders. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain directors and employees of the Group to the growth of the Group and/or the listing of the Shares on GEM.

No option granted under the Pre-IPO Share Option Scheme was outstanding up to the date of the approval of the financial statements.

b) *Share Option Scheme*

The Company has also adopted a share option scheme on 14 December 2001 (“Share Option Scheme”) under which the Directors may at their discretion grant options to employees (whether under full-time or part-time employment) and directors (whether executive, non-executive or Independent non-executive) of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme.

Particulars and movements during the period ended 31 March 2004 of the outstanding share options granted under the Share Option Scheme were as follows:

Name of Category of participant	As at 1 January 2004	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 March 2004	Date of grant of share options	Exercise period of share options	Exercise price of share options
Mr. Wong Shui Fun	-	10,000,000	-	-	-	10,000,000	31 March 2004	31 March 2004 to 30 March 2014	HK\$0.060
Employees	32,000,000	-	-	-	3,000,000	29,000,000	9 October 2003	9 October 2003 to 8 October 2013	HK\$0.076
Employees	-	1,500,000	-	-	-	1,500,000	31 March 2004	31 March 2004 to 30 March 2014	HK\$0.060
Total	32,000,000	11,500,000	-	-	3,000,000	40,500,000			

None of the Director or employees of the Group had exercised their share options during the quarter ended 31 March 2004.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the following persons (not being directors or chief executive of the Company) had interests and short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of shareholders	Number of shares held	Percentage of the Company's share capital
Dynamate Limited (<i>Note 1</i>)	370,163,200	26.58%
Styland Holdings Limited (<i>Note 2</i>)	80,000,000	5.74%
City Lion Worldwide Limited (<i>Note 2</i>)	80,000,000	5.74%
Styland (Overseas) Limited (<i>Note 2</i>)	80,000,000	5.74%
Shenzhen Ingen Technology Company Limited	147,440,000	10.59%

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 under Part XV of the SFO.
2. The entire issued share capital of City Lion Worldwide Limited is beneficially owned by Styland (Overseas) Limited, which the 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

SPONSOR'S INTEREST

None of the Company's sponsor, Sun Hung Kai International Limited ("Sun Hung Kai International"), its directors, employees or associates (as deferred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 March 2004.

Pursuant to an agreement dated 17 December 2001 entered into between the Company and Sun Hung Kai International, Sun Hung Kai International 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 management shareholders (as defined in the GEM Listing Rules) of the Company have any interest in any business which competes with or may compete with the business of the Group.

BOARD PRACTICES AND PROCEDURES

In the opinion of the Directors, the Company has complied with the “Board Practices and Procedures” as set out in Rule 5.34 and 5.45 of the GEM Listing Rules since the listing of the Company’s shares on GEM on 31 December 2001, except that the independent non-executive directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company’s Articles of Associations.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.33 of the GEM Listing Rules. The duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises of one Non-Executive Director of the Company and two Independent Non-Executive Directors of the Company.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period.

By order of the Board
Koh Tat Lee, Michael
Director

Hong Kong, 11 May 2004