



INWORLD GROUP LIMITED

活力世界控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2002

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 announcement, 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 announcement.

The Directors collectively and individually accept full responsibility for this announcement 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 announcement 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 announcement have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.

* For identification purposes only

AUDITED CONSOLIDATED RESULTS

The Board of Directors (the “Board”) of Inworld Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2002, together with the comparative audited figures for the previous year as follows:

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER	2	6,746	6,498
COST OF SALES		<u>(3,452)</u>	<u>(1,920)</u>
GROSS PROFIT		3,294	4,578
OTHER REVENUE	2	4,933	47
DISTRIBUTION COSTS		(1,420)	(992)
ADMINISTRATIVE EXPENSES		(6,942)	(3,550)
IMPAIRMENT OF GOODWILL		<u>(4,449)</u>	<u>—</u>
(LOSS)/PROFIT FROM OPERATIONS		(4,584)	83
FINANCE COSTS		<u>—</u>	<u>(32)</u>
(LOSS)/PROFIT BEFORE TAXATION	4	(4,584)	51
TAXATION	5	<u>—</u>	<u>—</u>
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(4,584)	51
MINORITY INTERESTS		<u>142</u>	<u>—</u>
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	6	<u>(4,442)</u>	<u>51</u>
(LOSS)/EARNINGS PER SHARE	7		
— Basic		<u>(0.842) cents</u>	<u>0.011 cents</u>
— Diluted		<u>(0.842) cents</u>	<u>0.0089 cents</u>

1. **GROUP REORGANISATION AND BASIS OF CONSOLIDATION**

(a) **Group reorganisation**

The Company was incorporated in the Cayman Islands on 30 July 2001 under the Companies Law (2001 Revision) of the Cayman Islands as an exempted company with limited liability.

In preparation for the listing of the shares on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the companies comprising the Group underwent a reorganisation (the “Reorganisation”) to rationalise the corporate structure of the Group. The Company acquired the entire issued capital of Inworld International Limited, the Group’s former ultimate parent enterprise through a share swap arrangement and became the ultimate parent enterprise of Inworld International Limited and its subsidiaries. Details of the Reorganisation have been set out in the Company’s prospectus dated 18 December 2001.

The Company’s shares were listed on the GEM of the Stock Exchange on 31 December 2001.

(b) **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. The Reorganisation referred to in note 1 above has been accounted for by using merger accounting.

Apart from the Reorganisation, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

2. TURNOVER AND REVENUE

	2002 HK\$'000	2001 HK\$'000
Turnover		
System solutions services income		
IT projects		
— Consultation	1,200	1,173
— Infrastructure	2,425	1,573
Internet-based applications	2,500	2,590
Web page design and development	87	100
Banner design and advertisement income	480	1,050
Membership income	52	12
Online room reservation income	<u>2</u>	<u>—</u>
	6,746	6,498
Other revenue		
Sales of computer hardware and software	15	5
Social activities income	—	7
Interest income	169	27
Exchange gain	43	8
Rental income	9	—
Sundry income	237	—
Gain on disposal of investment securities	<u>4,460</u>	<u>—</u>
	<u>4,933</u>	<u>47</u>
Total revenue	<u><u>11,679</u></u>	<u><u>6,545</u></u>

3. SEGMENT INFORMATION

Business segment

The Group is principally engaged in the business as a system solution provider. As per note 2 above, the system solutions services offered by the Group consist of IT consultation and infrastructure projects, internet-based application, web page design and development and banner design and advertisement.

The major component of cost of services rendered for system solution is labour cost. In view of increasing efficiency and flexibility of labour force, the management of the Group did not assign certain employees to specific business segment. Similarly, all distribution costs and administrative expenses were incurred on a group basis; therefore no segment expenses were allocated to various business segments.

Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

The Group's business is principally managed in Hong Kong and the Group's customers are mainly located in Hong Kong, Singapore and Macau.

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Revenue from external customers		
- Hong Kong	6,692	6,495
- Singapore	—	3
- Macau	<u>54</u>	<u>—</u>
Total revenue from external customers	<u>6,746</u>	<u>6,498</u>
Other revenue		
- Hong Kong	4,879	39
- Others	<u>54</u>	<u>8</u>
Total other revenue	<u>4,933</u>	<u>47</u>
Total operating revenue	<u>11,679</u>	<u>6,545</u>
Segment results		
- Hong Kong	1,412	754
- Singapore	(872)	(671)
- Macau	(507)	—
- The People's Republic of China (excluding Hong Kong)	(168)	—
- Unallocated expenses	<u>(4,449)</u>	<u>—</u>
(Loss)/profit from operations	(4,584)	83
Finance costs	—	32
Taxation	—	—
Minority interests	<u>142</u>	<u>—</u>
(Loss)/profit attributable to shareholders	<u>(4,442)</u>	<u>51</u>
Depreciation		
- Hong Kong	555	373
- Singapore	46	28
- Macau	<u>90</u>	<u>—</u>
	<u>691</u>	<u>401</u>

More than 90% of segment assets and capital expenditure are in Hong Kong as at 30 June 2002 and 2001.

4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging the following:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Auditors' remuneration	126	24
Staff costs		
— Basic salaries and allowances	4,464	2,418
— Pension scheme contributions	138	58
Research expenses incurred	372	335
Exchange loss	11	16
Depreciation of		
— Owned assets	691	395
— Asset held under a hire purchase obligation	—	6
Operating lease rentals in respect of land and buildings	730	60
Interest on a hire purchase obligation repayable within five years	—	32
Provision for doubtful debt	150	—
Loss on disposals of property, plant and equipment	109	—
Impairment of property, plant and equipment	<u>230</u>	<u>—</u>

5. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Group and its subsidiaries operating in Hong Kong have no assessable profits for the year.

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 financial statements as the subsidiaries operating outside Hong Kong have no assessable profits for the year.

6. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated (loss)/profit attributable to shareholders included a loss of approximately of HK\$355,000 which has been dealt with in the financial statements of the Company.

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
(Loss)/profit attributable to shareholders	<u>(4,442,237)</u>	<u>50,556</u>
Number of shares:		
Weighted average number of shares for the purpose of calculating (loss)/earnings per share	2002	2001
— Basic	<u>527,868,493</u>	<u>480,000,000</u>
— Diluted	<u>527,868,493</u>	<u>576,000,000</u>

Since all share options granted can only be exercised after 30 June 2002, the computation of diluted loss per share is based on the same weighted average number of ordinary shares for the purposes of basic loss per share.

The calculation of the comparative diluted earnings per share is based on the profit attributable to shareholders of HK\$50,556 and the 576,000,000 shares comprising 480,000,000 shares in issue and 96,000,000 shares to be issued under the placing and public offer deemed to be in issue throughout the year ended 30 June 2001 on the assumption that the Reorganisation of the Group had been completed on 30 August 1999, taking no account of any shares which may be issued under the over-allotment option or upon any exercise of options which had conditionally been approved and adopted by the Company on 14 December 2001 under the share option scheme.

8. RESERVES

i) Group

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1/7/2000	—	—	(4,218)	(4,218)
Capitalisation of shareholders' loan	12,195	—	—	12,195
Net profit for the year	<u>—</u>	<u>—</u>	<u>51</u>	<u>51</u>
At 30/6/2001 and 1/7/2001	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)
Net loss for the year	<u>—</u>	<u>—</u>	<u>(4,442)</u>	<u>(4,442)</u>
At 30/6/2002	<u>22,666</u>	<u>7,396</u>	<u>(8,609)</u>	<u>21,453</u>
ii) Company				
Issue of shares upon listing	29,760	—	—	29,760
Issuing expenses	(7,094)	—	—	(7,094)
Contributed surplus arising from				
Reorganisation	—	2,985	—	2,985
Net loss for the year	<u>—</u>	<u>—</u>	<u>(355)</u>	<u>(355)</u>
At 30/6/2002	<u>22,666</u>	<u>2,985</u>	<u>(355)</u>	<u>25,296</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$6,746,000 representing an increase of 4% compared to the previous year. Though the revenues from web page design and development and banner design and advertisement decreased by 13% and 54% respectively, the Group recorded a significant increase of 54% from IT infrastructure projects and this is the main reason for the rise in the revenue.

Operating expenses

After listing its shares on the GEM on 31st December 2001, the Group further expands its businesses. In order to comply with listing rule, the Group also incurred additional fee in this respect. As a result, both the administrative expenses and distribution cost increased significantly when compared to the previous year.

Loss for the year

The loss for the year amounted to HK\$4,442,000. This is mainly attributable to the write off of goodwill arising from acquisition of a subsidiary during the year.

Liquidity, financial resources and gearing

The Group generally finances its operation with internally generated cash flow and a portion of the net proceeds from the New Issue (as defined in the Prospectus of the Company (the “Prospectus”) dated 18th December, 2001).

As at 30th June 2002, shareholders’ funds of the Group amounted to approximately HK\$27,213,000. Current assets amounted to approximately HK\$25,272,000, of which approximately HK\$16,415,000 were cash and bank deposits. Current liabilities of approximately HK\$1,858,000 mainly comprised of other payable and accruals.

The Group expresses its gearing ratio (if any) as a percentage of bank borrowing and long term debts over total assets. As at 30th June 2002 and to the date of this report the Group did not have any bank borrowing or long term debts.

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

Other than the 96,000,000 shares of the Company, which have been issued under the Share Offer (as defined in the Prospectus), the Group has no other type of capital instruments. The Group intends to finance its operation with its internal resources and net proceeds from the New Issue (as defined in the Prospectus).

During the year under review, the business activities of the Group were mainly denominated in Hong Kong dollars. As at 30th June 2002, the Group had bank balances of approximately USD1,703,000. By considering the stable exchange rate between United States dollars and Hong Kong dollars, 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 the hedging purposes and does not engage in foreign currency speculative activities.

Investment

As at 30th June 2002, the Group held 24,629,125 shares in a listed company on the GEM, and whose shares are suspended as at the date of this report. During the year under review, the Group did not receive any dividend from the listed security. The Group intends to hold the listed security as long term investment.

In June 2002, the Group established a wholly owned subsidiary in Shanghai, whose registered capital is USD200,000. The principal business of the subsidiary is to provide system solutions, ASP and computer products sourcing services. The Directors expect the subsidiary will generate positive contribution to the Group in the coming year.

Details of material acquisitions and disposals of subsidiaries and affiliated companies in the course of the year under review

To expand its geographical presence, the Group acquired 72% interests in a Macau company in consideration of HK\$5,000,000 in March 2002 to provide online business service and cyber café business. Goodwill arising from the investment was written off during the year. The Group will continue to explore and identify investment and acquisition opportunities and intends to finance the expansion by the Group's internal resources and net proceeds from the New Issue (as defined in the Prospectus).

Employees and remuneration policies

As at 30th June 2002, the Group had 34 employees, including directors of the Company. For the year under review, the remuneration of the Group amounted to approximately HK\$4,602,000. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience. The Group also provides retirement schemes and

medical insurance scheme for its employees. The Group has adopted a Pre-IPO Share Scheme pursuant to which the Group granted options to persons including executive directors, employees of the Group to acquire shares of the Company.

Details of charges on Group assets

During the year under review, no assets of the Group were pledged.

Contingent liabilities

As at 30th June 2002, the Group had no contingent liabilities.

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 actual progress of these objectives for the year is summarized as follows:

IT consultation and infrastructure project

During the year under review, the Group has made every effort to enlarge the market shares in Hong Kong, Singapore, Macau and the PRC. Based on the Group's experience in developing IT solutions and from completed projects, IT consultation and infrastructure services have been accounted for a significant percentage of the Group's total revenue during the year. 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, PIM system, Intranet system, ticketing system, HRM system, CRM system and hotel reservation system which are aimed to expand the product categories to maintain the Group's competitiveness. In addition, the technical team has dedicated effort to continuously improve functions and features of the online transaction 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 in March 2002. The new Inworld Marketplace has been renewed as a supply-and- demand

message platform which allows companies to explore 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 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 businesses. In order to capture a larger market share for its existing business and to strengthen its market presence in other new established region, the Group will implement series of marketing and promotion activities to promote its services.

Expand the geographical presence

In mid-March 2002, the Group has expanded its presence to Macau by acquiring 72% interest in a local company which is principally engaged in online hotel booking service, the Cyber Cafe and hotel online station service business, which allows 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.

Other than Macau, the Group has set up a wholly owned subsidiary in Shanghai, PRC in June 2002 to provide system solutions, ASP and computer products sourcing services. The Directors expect that the expansion into PRC would help the Group to expose opportunities that bring from the China's entry to WTO.

Prospects

The Group will continue paying effort to capture larger market share and improve the service quality the Group provides. 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.

Recently, the Group has finished the development of HRM and hotel reservation system and the HRM system (Phase 1) for Reebok Trading (Far East) Limited ("Reebok"). As a matter of fact, Inworld has won a 1-year system maintenance contract from Reebok and has been appointed as the solutions provider for Sports Federation & Olympic Committee of Hong Kong,

China on committee's website enhancement and Busan Asian Games website projects. In addition, due to our excellent services provided in Phase 1, negotiations have been held between Reebok and the Group in respect of appointing the Group as Reebok's upcoming internal system enhancement projects solution provider and we are confident that the Group could gain more different clients in the future.

The PRC's accession into the WTO and hosting of the Olympic Games in 2008 presents a significant opportunity to the Group. To capitalize on this, the Group has established a wholly subsidiary in Shanghai in June 2002 and is now establishing a branch in Beijing to provide system solution, ASP services and Cyber café.

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

According to the business objectives as stated in the prospectus for the relevant period

Actual Business Progress

Revenue and business development

- To continue the business development activities from the previous period
 - To expand revenue derived from system solutions services as a result of the launching of the new product of the Intranet system and ticketing system which have been developed in the previous period.
- The Group has speeded up the research and development process and enhanced the project management process by allocating more internal resources to this area, such as equipment and human resources.

- To continue to expand the proportion of revenues generated from the services provided by the Group in Hong Kong and Singapore, namely system solution services including web hosting and webpage design
- The Group has spent most of the efforts on expanding the proportion of revenues generated by system solutions services by actively promoting the products to the market by participating in IT and Infrastructure Expo 2002 exhibition which was organized by the TDC council in March 2002, placing advertisement on various journals, sending promotional email to potential customers and fax promotion leaflets to targeted sectors

Product and services development

- To continue the product and service development activities from the previous period
- Development of Intranet and ticketing system has been finished and we have packaged Intranet with human resources system solutions into a more secured human resources application.
- Ticketing system is modified with online trading platform to provide online hotel reservation system for the traveling industry use and is now in use.
- To add new Internet-based applications, namely web to PDA transforming system and PIM system to its existing products for the SMEs in Hong Kong and Singapore.
- Research and feasibility studies are being done on matching PDA transforming system and PIM system to potential products.

- To conduct research and feasibility studies of packaging generic application products under the brand name of Inworld into a multi-functions generic product catered for the SMEs and software house.
- To enhance the Group's ASP applications such as information flow security and online payment security for e-commerce in order to extend these services to companies in other regions in Asia such as Macau, the PRC, Singapore, Taiwan, Thailand and Vietnam.
- The Group has finished the development of traveling industry-focused software which targeted the traveling agency and hotel reservation agency in Hong Kong, Singapore, the PRC and Macau and is now for sale.
- E-commerce platform is further enhanced and its stability and security has improved and service was launched in Feb 2002.
- Localizing the E-commerce applications have been done in Singapore and the PRC in order to enter into the ASP markets of these regions.

Marketing

- To implement a marketing program in Asian markets including Macau, Taiwan, Singapore, Thailand and major cities in the PRC in respect of the Group's IT system implementation services.
- To implement a roll out market planning for the launching of the Intranet and the ticketing system in Hong Kong, Singapore and major cities in the PRC.
- The Group has captured every opportunity to arouse market awareness by participating in IT and Infrastructure Expo 2002 exhibition which was organized by the Hong Kong Trade Development Council in March 2002, placing advertisement on various journals, sending promotional email to potential customers and fax promotion leaflets to targeted sectors.

- To implement a major marketing program to promote the Group's ASP services and IT outsourcing services with a main focus on the Group's capability to provide IT outsourcing services in the PRC, Hong Kong and Singapore
- Promotional message and contents are contained on the Group's website.
- Latest information has been updated on the Group's website in order to attract traffic.
- The Group has built a customer database in February 2002 and promotional message have been sent through email and fax.

Expansion and business alliance

- To continue the expansion and business alliance activities from the previous period
- Subject to the setting up of the relevant joint venture(s) and the favourable findings of the feasibility studies regarding the market potential for ASP services, system solutions services, internet content services or cyber cafe business, to establish branch offices in municipalities and major cities of the PRC, including Beijing, Guangzhou, Shenzhen, Shanghai, and Xian in north-western part of the PRC.
- The Group has established its Shanghai subsidiary in June 2002 and is now establishing a branch in Beijing, the registration certificate of which is expected to be available in October 2002, to capture the opportunities of growing system solution services demand.

- To commence the design and implementation of networking and technical infrastructure at the Group's office in Hong Kong
- The Group has upgraded one of our servers in order to provide better web hosting service in Hong Kong.
- Continuous evaluation on the Group's network securities and function stabilities have been done in order to secure the service quality.
- The Group has replaced and upgraded the network infrastructure in house in Hong Kong and Singapore so as to boost the work efficiency.
- To explore and identify investment and acquisition opportunities for Internet related ventures in Macau, Singapore, Taiwan, Hong Kong and major cities in the PRC to further expand the Group's portal networks and system solution business in the market.
- Through acquisition, the Group owns a subsidiary in Macau to provide online hotel booking service, the cyber cafe and hotel online station service business.
- The Group never stops looking acquisition opportunities in Asian region for system solution business expansion by conducting feasibility studies, particularly in PRC.

Use of proceeds

The net proceeds from the public listing had been applied in the following areas:

	Originally planned up to 30th June 2002 <i>HK\$ in million</i>	Actual amount up to 30th June 2003 <i>HK\$ in million</i>
Research and development of new applications and system solutions	0.40	0.51
Development of ASP business	0.60	1.52
Enhancement of e-commerce platform	0.35	0.73
Development of new and enhancement of existing Internet based applications	0.70	1.33
Marketing and promotion activity	0.52	1.33
Enhancement of the Internet infrastructure of the Group	0.30	0.73
Formation of strategic and business alliance	—	3.37
Development of cyber cafe	—	1.50
Working capital	<u>1.00</u>	<u>1.17</u>
Total	<u><u>3.87</u></u>	<u><u>12.19</u></u>

In despite of the global economic recession and continuous deflation in Hong Kong, the Directors consider that the Group can take the chance to expand its businesses and strengthen our competitive ability in the view that this strategy will yield future returns to the Group after the market condition improves. Therefore, the Group allocated more resources than planned to enhance its e-commerce platform and internet infrastructure and develop new internet based applications.

As stated in the Prospectus of the Company, the Group plans to use (i) HK\$1.5 million of the proceeds to develop the cyber cafe during the financial year ended 30 June 2003; (ii) HK\$3.0 million to form strategic and business alliances from the period from July 2002 to December 2003. In view of the development of the traveling industry in Macau, the Group seize the opportunity to expand its geographical presence by acquiring 72% interests in a company in Macau to develop cyber cafe business, to provide online hotel

booking service and hotel online station service business. Other than the timing, the use of the proceeds is in line with the business plan as disclosed in the Prospectus, which is to develop the cyber cafe business and ASP business.

Though the actual amount of the use of proceeds varied from the originally planned, the Directors currently still intend to implement the business plan as disclosed in the Prospectus and will continue to explore and identify opportunities for business alliance. The balance of the unused proceeds was placed as bank deposits as at 30th June 2002.

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

Since the shares of the Company commenced trading on GEM on 15 October 2001, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Company's shares during the year.

BOARD PRACTICES AND PROCEDURES

The Company has complied with board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since listed on GEM.

By Order of the Board
Ngai Kwok Kin, Kevin
Chairman

Hong Kong, 20 September, 2002

This announcement will remain in the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication.