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## **INWORLD GROUP LIMITED**

**活力世界控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

### **MAJOR AND CONNECTED TRANSACTIONS AND PROPOSED GRANT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

On 25 June 2003, Wah Shui (the “**Purchaser**”) entered into the Share Transfer Agreement with Ingen, Huang Shu-ying and Chen Hong (the “**Vendors**”) in relation to the acquisition of an aggregate of 95% of the equity interests in Huaruiyuan for an aggregate consideration of HK\$22,800,000. Upon Completion, Wah Shui will have an aggregate of 95% of the equity interests in Huaruiyuan and Huaruiyuan will become a subsidiary of the Company.

Huaruiyuan is a limited liability company established in the PRC on 6 May 2003 by the Vendors to engage in the design and development of tax-declaring computer software and the integration of tax-declaring computer system and network. The registered capital of Huaruiyuan is RMB10,000,000 (approximately HK\$9,433,962), of which 90% (being RMB9,000,000, being approximately HK\$8,490,566) was contributed by Ingen and 5% (being RMB500,000, approximately HK\$471,698) was contributed by each of Huang Shu-ying and Chen Hong. Ingen has been principally engaged in the design, development and manufacture of tax-declaring products since its establishment in February 1999. To the best knowledge of the Directors, Ingen has been engaged in the design and development of tax-declaring computer software and the integration of tax-declaring computer system and network since its establishment in February 1999. The technological knowhow involved in the design and development of tax-declaring computer software and the integration of tax-declaring computer system and network was transferred by Ingen to Huaruiyuan in the value of RMB1,500,000 (approximately HK\$1,415,100) as part of Ingen’s capital contribution to Huaruiyuan. The remaining balance of the capital contribution by Ingen to Huaruiyuan was made by Ingen as to RMB7,000,000 (approximately HK\$6,603,774) by way of transfer of equipments and facilities used in the design, development and integration of tax-declaring computer software, system and network and as to RMB500,000 (approximately HK\$471,698) by way of cash.

Huaruiyuan is a system solutions provider in the tax-declaring system market in the PRC. As at the date of this announcement, Huaruiyuan has a total number of approximately 600 customers which includes the municipal governments of the PRC and certain major fuel and taxi companies in the PRC.

The Consideration was arrived at after arm's length negotiations between the parties to the Share Transfer Agreement. As at 31 May 2003, the unaudited net tangible asset value of Huaruiyuan was approximately HK\$7,290,000. The Consideration represents a premium of approximately 213% over the unaudited net tangible asset value of Huaruiyuan as at 31 May 2003. The Directors consider that the Consideration and the terms of the Share Transfer Agreement are fair and reasonable and in the interests of the Group so far as the Shareholders are concerned.

The Consideration payable by Wah Shui pursuant to the Share Transfer Agreement is HK\$22,800,000, of which HK\$11,201,600 (representing approximately 49% of the Consideration) will be satisfied by cash and the remaining balance of HK\$11,598,400 (representing approximately 51% of the Consideration) will be satisfied by the allotment and issue of the Consideration Shares to Ingen, one of the Vendors, at an issue price of HK\$0.044 per Consideration Share. Based on the closing price of HK\$0.049 per Share as quoted on GEM on 24 June 2003, being the last trading day before the date of the Share Transfer Agreement, the value of the Consideration is HK\$24,118,000.

The Issue Price represents (i) a discount of approximately 10.20% to the closing price of HK\$0.049 per Share as quoted on GEM on 24 June 2003, being the last trading day before the date of the Share Transfer Agreement; (ii) a discount of approximately 10.20% to the average closing price of approximately HK\$0.049 per Share as quoted on GEM for the last 10 consecutive trading days up to and including 24 June 2003; and (iii) the net tangible asset value of HK\$0.044 per Share as shown in the Group's audited consolidated financial statements made up to 30 June 2002.

The Consideration Shares represent approximately 45.53% of the existing issued share capital of the Company and approximately 21.21% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Consideration Shares.

As the Consideration payable by Wah Shui to the Vendors pursuant to the Share Transfer Agreement represents approximately 80% of the net tangible assets value of the Group as shown in its audited consolidated financial statements made up to 30 June 2002 (as adjusted in accordance to Rules 19.13 and 19.14 of the GEM Listing Rules), the Acquisition constitutes a major transaction of the Company involving allotment and issue of Shares under Chapter 19 of the GEM Listing Rules. Therefore, the Acquisition is conditional upon approval by the Shareholders at the EGM. The Directors confirm that they are not aware of any Shareholder who has interest in the Acquisition other than being a Shareholder. As such, the Directors believe that no Shareholder is required to abstain from voting on the relevant resolution in relation to the Acquisition.

On 4 July 2003, the Company entered into subscription agreements with nine placees including Dynamate Limited, Mr. Leung Kin Man, Dennis, the company secretary and qualified accountant of the Company, and seven investors who are independent of and not connected with any directors, chief executive, substantial shareholders and management shareholders of the Company or any of its subsidiaries or any of their respective associates and who are not the classes of persons as stated in Rule 10.12(4) of the GEM Listing Rules, pursuant to which the Company has agreed to place an aggregate of 400,000,000 Placing Shares to such placees at the Placing Price. There is no placing agent for the Placing.

The Placing Shares amount to approximately 69.08% of the existing issued share capital of the Company, approximately 40.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and approximately 32.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Consideration Shares. The net proceeds of the Placing of about HK\$15,300,000 will be applied as to HK\$11,201,600 to

settle the Cash Consideration payable by Wah Shui to the Vendors pursuant to the Share Transfer Agreement, as to approximately HK\$1,200,000 for the exploration of overseas market for tax-declaring products, as to approximately HK\$800,000 for the purchase of facilities and equipments used for the development of tax-declaring computer software and technology, computer system and computer network and as to remaining balance of approximately HK\$2,098,400 as the general working capital of the Group.

The placing price of HK\$0.04 per Placing Share represents (i) a discount of approximately 18.37% to the closing price of HK\$0.049 per Share as quoted on GEM on 24 June 2003, being the last trading day before the date of the Share Transfer Agreement; (ii) a discount of approximately 18.37% to the average closing price of approximately HK\$0.049 per Share as quoted on GEM for the last 10 consecutive trading days up to and including 24 June 2003; and (iii) a discount of approximately 9.09% to the net tangible asset value of approximately HK\$0.044 per Share as shown in the Group's audited consolidated financial statements made up to 30 June 2002. The Placing Price was arrived at after arm's length negotiations between the Company and the places. The Directors consider that the Placing Price (including the discount to the closing prices and the net tangible asset value as shown above) is fair and reasonable so far as the Shareholders are concerned.

Since the entire issued share capital of Dynamate Limited is beneficially owned by Mr Koh, the Placing constitutes an one-off and non-exempted connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules and will be subject to, among other things, the approval by the Independent Shareholders at the EGM.

The Independent Board Committee comprising Mr. Ng Yat Cheung, a non-executive Director, and Mr. Leung Chun Cheng and Mr. Wong Shui Fun, both being the independent non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Placing. First Asia Finance Group Limited will be appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

The Directors also propose to seek the approval of the Shareholders to grant the General Mandates at the EGM.

A circular containing, among other things, further information in respect of the Acquisition, the Placing, the General Mandates, the letter from the independent financial adviser to the Independent Board Committee, the recommendation of the Independent Board Committee to the Independent Shareholders on the Placing together with the notice of the EGM will be despatched to the Shareholders within 21 days from the date of this announcement.

**The Acquisition and the Placing are conditional. Accordingly, the Acquisition and/or the Placing may or may not proceed. Shareholders and public investors are advised to exercise caution when dealing in Shares.**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 10:22 a.m. on 25 June 2003 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares at 9:30 a.m. on 16 July 2003.

## SHARE TRANSFER AGREEMENT

Date : 25 June 2003

Parties : (1) Vendors : Ingen  
Huang Shu-ying  
Chen Hong

**Each of the Vendors and the ultimate beneficial owners of Ingen, being Huang Shu-ying, Chen Hong and nine third parties, (i) is independent of and not connected with the directors, chief executive, substantial shareholders and management shareholders of the Company or any of its subsidiaries or any of their respective associates; (ii) is independent of and not connected with each other; and (iii) is not acting in concert with any of the Shareholders.**

(2) Purchaser : Wah Shui

### Assets to be acquired

Pursuant to the Share Transfer Agreement, Wah Shui has conditionally agreed to acquire 95% of the equity interests in Huaruiyuan. As disclosed in the business licence of Huaruiyuan, Huaruiyuan is principally engaged in the design, development and sale of tax-declaring computer software and network in the PRC.

Huaruiyuan is currently a domestic entity established in the PRC with limited liability. As such, it must be converted into a foreign investment enterprise in order to give effect to the investment of the Group in it. It is one of the Conditions that Huaruiyuan be converted to a Chinese-foreign equity joint venture.

The PRC legal advisers to the Company has advised that the relevant PRC government authorities such as the State Administration for Industry and Commerce of the PRC and the Ministry of Foreign Trade and Economic Cooperation of the PRC will in normal practice approve the conversion of Huaruiyuan into a Chinese-foreign equity joint venture within 20 business days after receipt of all necessary documents. The Company's PRC legal advisers further advised that there are no legal impediments which may adversely affect the said conversion and that they have already contacted the relevant PRC government authorities and were informed that the said conversion would be approved. The Directors therefore anticipate that the relevant approval process will take about 20 business days. However, the exact time required for the said conversion will depend on the approval progress of the relevant PRC government authorities.

Upon Completion, Wah Shui will have an aggregate of 95% of the equity interest in Huaruiyuan and the remaining 5% of the equity interest in Huaruiyuan will remain to be owned as to 2.5% by each of Huang Shu-ying and Chen Hong. Huaruiyuan will then become a subsidiary of the Company.

According to the terms of the Share Transfer Agreement, the board of directors of Huaruiyuan will comprise of five directors upon Completion, of which Wah Shui shall be entitled to appoint four directors. Wah Shui intends to appoint Mr. Koh and Mr. Chu Siu Wah, both being executive Directors, to be the directors of Huaruiyuan upon Completion with the remaining two directors of Huaruiyuan to be recruited from experts in the tax industry.

## Consideration

The aggregate consideration for the Acquisition is HK\$22,800,000, of which:

- (i) HK\$11,201,600, being approximately 49% of the Consideration, will be satisfied by cash. The Cash Consideration will be funded by the net proceeds of the Placing.

The Cash Consideration shall be payable in the following manner:

- (a) HK\$10,001,600 shall be payable to Ingen within one year from the date of Completion without interest;
- (b) HK\$600,000 shall be payable to Huang Shu-ying within seven days after the fulfillment of all the Conditions; and
- (c) HK\$600,000 shall be payable to Chen Hong within seven days after the fulfillment of all the Conditions.

As the Cash Consideration will be financed by the net proceeds of the Placing, there will be no change in the use of proceeds as disclosed in the Prospectus.

- (ii) HK\$11,598,400, being approximately 51% of the Consideration, will be satisfied by way of allotment and issue of 263,600,000 Consideration Shares, credited as fully paid, at the Issue Price to Ingen.

The Issue Price represents:

- (a) a discount of approximately 10.20% to the closing price of HK\$0.049 per Share as quoted on GEM on 24 June 2003, being the last trading day before the date of the Share Transfer Agreement;
- (b) a discount of approximately 10.20% to the average closing price of approximately HK\$0.049 per Share as quoted on GEM for the last 10 consecutive trading days up to and including 24 June 2003; and
- (c) the net tangible asset value of HK\$0.044 per Share as shown in the Group's audited consolidated financial statements made up to 30 June 2002.

The Issue Price was arrived at after arm's length negotiations between the Company and Ingen after taking into account the dilution effect on the market price of the Shares and the dilution effect on the net tangible asset value represented by each Share after the allotment and issue of the Placing Shares and the Consideration Shares. The Directors consider that the Issue Price is fair and reasonable and in the interests of the Shareholders as a whole.

The Consideration Shares will be allotted and issued to Ingen within seven days after the fulfillment of all the Conditions, and which when allotted and issued, will rank *pari passu* in all respects with each other and with the Shares in issue on the date of allotment and issue of the Consideration Shares and will carry the same voting rights.

The Consideration Shares represent approximately 45.53% of the existing issued share capital of the Company and approximately 21.21% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Consideration Shares.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The EGM will be convened and held to consider and, if thought fit, to approve, among other things, the allotment and issue of the Consideration Shares to Ingen.

Based on the closing price of HK\$0.049 per Share as quoted on GEM on 24 June 2003, being the last trading day before the date of the Share Transfer Agreement, the value of the Consideration is HK\$24,118,000. The Consideration was arrived at after arm's length negotiations between the parties to the Share Transfer Agreement. As at 31 May 2003, the unaudited net tangible asset value of Huaruiyuan was approximately HK\$7,290,000. The Consideration represents a premium of approximately 213% over the unaudited net tangible asset value of Huaruiyuan as at 31 May 2003. The unaudited turnover and net profit of Huaruiyuan were approximately HK\$2,415,000 and HK\$592,200 respectively for the period from 6 May 2003, the date of establishment of Huaruiyuan, to 31 May 2003. Huaruiyuan usually offers its customers a credit period of 90 days for each billing. Up to the date of the announcement, Huaruiyuan has not experienced any bad or doubtful debts. The unaudited account receivables of Huaruiyuan was approximately HK\$2,223,000 as at 31 May 2003, of which approximately HK\$700,000 has been subsequently settled thereafter up to the date of this announcement. The remaining balance of approximately HK\$1,523,000 will be settled within 45 days from the date of this announcement.

The unaudited net tangible asset value, turnover, net profit and account receivables of Huaruiyuan disclosed above are based on the management accounts of Huaruiyuan which are originally prepared in accordance with the Generally Accepted Accounting Principles applied in the PRC and subsequently adjusted in accordance with the Generally Accepted Accounting Principles applied in Hong Kong. As Huaruiyuan is a newly established company, no audited account has been prepared up to the date of this announcement.

The Directors anticipate that the economic climate in the PRC will maintain its present upward trend which will lead to an enhancement of transportation network. Moreover, as the PRC government moves to tighten up the tax monitoring system to combat tax avoidance, the Directors expect that the demand for tax-declaring devices will increase substantially in the coming few years. Huaruiyuan is dedicated to research and development in order to enhance the sophistication of the system solutions services it provides in the tax-declaring system market. The Directors believe that research and development will further enhance Huaruiyuan's technological strength and business development. With Huaruiyuan's dedication in research and development and the government policy in combating tax avoidance in the PRC, the Directors believe that Huaruiyuan may become one of the active players in the tax-declaring system market.

After considering the following factors, the Directors consider that the Consideration is fair and reasonable and in the interests of the Group so far as the Shareholders are concerned:

- (i) Huaruiyuan has achieved profits for merely a month's operation. Furthermore, Huaruiyuan has entered into new contracts with customers. Based on the new contracts signed, the Directors believe that the business of Huaruiyuan has a growth potential; and
- (ii) the price to book ratio of the Acquisition is approximately 2.25 which is comparable to the price to book ratios of the acquisitions of businesses similar to that of Huaruiyuan by other companies listed on GEM.

The Directors further consider that the prospect of the business of Huaruiyuan and the performance of Huaruiyuan justify the premium that the Consideration represents over the unaudited net tangible asset value of Huaruiyuan.

## **Conditions of the Share Transfer Agreement**

The Share Transfer Agreement is conditional upon, among other things, the following conditions having been fulfilled on or before 30 September 2003 or such later date as may be agreed by the parties to the Share Transfer Agreement in writing:

- (i) the Shareholders passing at the EGM the necessary resolutions approving the Acquisitions and the allotment and issue of the Consideration Shares to Ingen, credited as fully paid;
- (ii) Wah Shui having been satisfied with the results of the due diligence exercise to be carried out by it on Huaruiyuan;
- (iii) the GEM Listing Committee having granted the listing of, and permission to deal in, the Consideration Shares;
- (iv) Wah Shui having received a legal opinion covering such matter of the PRC laws relevant to the legality of the Acquisition in such form and substance to its satisfaction;
- (v) the Independent Shareholders passing at the EGM the necessary resolutions approving the Placing;
- (vi) the GEM Listing Committee granting the listing of, and permission to deal in, the Placing Shares;
- (vii) Huaruiyuan having been converted into a Chinese-foreign equity joint venture, which conversion having been duly approved by the relevant authorities in the PRC; and
- (viii) Huaruiyuan having obtained all relevant approvals and licences to carry out its business as a system solutions provider in the tax-declaring system market in the PRC.

The Directors confirmed that Wah Shui has already completed the due diligence exercise on Huaruiyuan and is satisfied with the results of the due diligence exercise and that Wah Shui has already received the PRC legal opinion regarding the legality of the Acquisition to its satisfaction. The Directors further confirmed that Conditions (ii) and (iv) above have been fulfilled.

## **Completion**

Completion is expected to take place within 20 business days after the fulfillment of all the Conditions on or before 30 September 2003 or such later date as may be agreed by the parties to the Share Transfer Agreement in writing. Otherwise, the Share Transfer Agreement shall cease and terminate.

Upon Completion, Wah Shui will hold 95% of the equity interests in Huaruiyuan and the remaining 5% of the equity interests in Huaruiyuan will remain to be owned as to 2.5% by each of Huang Shu-ying and Chen Hong. According to the terms of the Share Transfer Agreement, the board of directors of Huaruiyuan will comprise of five directors upon Completion, of which Wah Shui shall be entitled to appoint four directors. Wah Shui intends to appoint Mr. Koh and Mr. Chu Siu Wah, both being executive Directors, to be the directors of Huaruiyuan upon Completion with the remaining two directors of Huaruiyuan to be recruited from experts in the tax industry. Huaruiyuan will become a subsidiary of the Company upon Completion.

## **Information on the Group**

As disclosed in the Prospectus, the Company is an investment holding company and its subsidiaries are principally engaged in the business as a system solutions provider. The major system solutions services offered by the Group include information technology consultation and infrastructure services. By providing such services, the Group is engaged in, among other things, hardware and software design and installation, computer system integration, system programming, server collocation, server building, computer system building and computer network building.

## **Information on Huaruiyuan**

Huaruiyuan is a limited liability company established in the PRC on 6 May 2003. The registered capital of Huaruiyuan is RMB10,000,000 (approximately HK\$9,433,962), of which 90% (being RMB9,000,000, approximately HK\$8,490,566) was contributed by Ingen and 5% (RMB500,000, approximately HK\$471,698) was contributed in cash by each of Huang Shu-ying and Chen Hong. As at the date of this announcement, the registered capital of Huaruiyuan has been fully contributed by the Vendors. It is one of the Conditions that Huaruiyuan be converted to a Chinese-foreign equity joint venture.

The Directors confirm that Ingen was introduced to Mr. Koh by a third party who is independent of and not connected with the directors, chief executive, substantial shareholders and management shareholders of the Company or any of its subsidiaries or any of their respective associates, at a social function in Shenzhen, the PRC about 18 months ago. To the best knowledge of the Directors, Ingen has been principally engaged in the design, development and manufacture of tax-declaring products such as tax-declaring fuel filling machines and taxi meters, in the PRC since its establishment in February 1999. The tax-declaring fuel filling machine of Ingen and the embedded computer system as a single product was approved by the General Bureau of State Taxation of the PRC on 21 May 2001 and the General Bureau of State Quality Supervision Inspection and Quarantining of the PRC on 21 August 2001. The tax-declaring taxi meter of Ingen and the embedded computer system as a single product was approved by the General Bureau of State Taxation of the PRC on 6 June 2001 and the General Bureau of State Quality Supervision Inspection and Quarantining of the PRC on 28 June 2001. According to the “Notice in relation to the Installation of Tax-Declaring Units in Fuel Filling Machines” (“關於加油機安裝稅控裝置的通告”) issued by the State Administration of Taxation of China on 8 May 2000, the tax-declaring fuel filling machine of Ingen and the embedded computer system as a single product is one of the 13 approved tax-declaring fuel filling machines in the PRC.

On 6 May 2003, Ingen, Huang Shu-ying and Chen Hong established Huaruiyuan to engage in the design and development of tax-declaring computer software and the integration of tax-declaring computer system and network. To the best knowledge of the Directors, Ingen has been engaged in the design and development of tax-declaring computer software and the integration of tax-declaring computer system and network since its establishment in February 1999. The technological knowhow involved in the design and development of tax-declaring computer software and the integration of tax-declaring computer system and network was transferred by Ingen to Huaruiyuan in the value of RMB1,500,000 (approximately 1,415,100) as part of Ingen’s capital contribution to Huaruiyuan. The remaining balance of the capital contribution by Ingen to Huaruiyuan was made by Ingen as to RMB7,000,000 (approximately HK\$6,603,774) by way of transfer of equipments and facilities used in the design, development and integration of tax-declaring computer software, system and network and as to RMB500,000 (approximately HK\$471,698) by way of cash.



Huaruiyuan is a system solutions provider in the tax-declaring system market in the PRC. The Directors confirm that Huaruiyuan has obtained all relevant approvals and licences to conduct its business as a system solutions provider in the tax-declaring system market in the PRC. As disclosed in the business licence of Huaruiyuan, Huaruiyuan is principally engaged in the design, development and sale of tax-declaring computer software and network in the PRC. Huaruiyuan has applied its tax-declaring software platform into products such as tax-declaring fuel filling machines and taxi meters so that such tax-declaring products can collect data and calculate the tax payable. Huaruiyuan is also engaged in the design and integration of the tax-declaring computer network and central computer system so that the data collected by the tax-declaring products can be transmitted to the central computer system owned by the users for processing, data polling and storage through the computer network. The central computer system designed and integrated by Huaruiyuan is compatible with the computer system of the PRC taxation authorities so that the PRC taxation authorities can collect the relevant data from the central computer system.

During the course of its business as a system solutions provider, Huaruiyuan provides customised solutions to its customers in accordance with their individual requirements and specifications and is involved in, among other things:

- (i) the design, development and enhancement of computer software and technology used in tax-declaring products, the central computer system and the computer network;
- (ii) the design and integration of tax-declaring computer system used for processing and storing the data collected by the tax-declaring products; and
- (iii) the design, integration and setting-up of computer network through which the data collected by the tax-declaring products can be transmitted to the tax-declaring computer system.

By adopting the same terms as used in the Prospectus, Huaruiyuan is providing, among other things, hardware and software design and installation, system programming, computer system integration, computer system building and computer network building services in the tax-declaring system market. To the best knowledge of the Directors, due to the high level of technical sophistication involved in the tax-declaring system market, there are approximately 12 competitors in the tax-declaring system market. The Directors confirm that since the PRC government will not grant any new licence for new tax-declaring products and the embedded computer systems, there is entry barrier in the tax-declaring system market. Given the established relationship between Ingen and Huaruiyuan, Ingen has introduced its customers to Huaruiyuan for it to provide system solutions services for the tax-declaring products. As such, Huaruiyuan has approximately 600 customers which include the municipal governments of the PRC and certain major fuel and taxi companies in the PRC as at the date of the announcement.

Besides engaging in the provision of system solutions services in tax-declaring system market, Huaruiyuan is exploring business opportunities which are in line with its principal business of system integration and software development. Specifically, Huaruiyuan is now exploring business opportunities in the customer care software market.

The Directors confirm that the Group will continue to provide its existing services and to carry on its existing businesses after the Acquisition. The Directors confirm that the Group will not change its business nature as disclosed in the Prospectus after the Acquisition.

## Reasons for the Acquisition

As disclosed in the Prospectus, the Company is an investment holding company and its subsidiaries are principally engaged in the business as a system solutions provider. The Directors anticipate that the economic climate in the PRC will maintain its present upward trend which will lead to an enhancement of transportation network. Moreover, as the PRC government moves to tighten up the tax monitoring system to combat tax avoidance, the Directors expect that the demand for tax-declaring computer technology and system will increase substantially in the coming few years.

According to the “Notice in relation to the Installation of Tax-Declaring Units in Fuel Filling Machines” (“關於加油機安裝稅控裝置的通告”) issued by the State Administration of Taxation of China on 8 May 2000, all fuel filling machines are required to have a tax-declaring units installed. The said notice has already been implemented and the installation of tax-declaring units has already commenced.

According to the “Notice in relation to the Production and Use of Tax-Declaring Taxi Meters” (“關於生產使用出租汽車稅控計價器有關問題的通知”) issued by the Guangdong Local Tax Bureau and the Guangdong Quality Supervision Inspection Bureau on 9 May 2000, all taxis are required to install tax-declaring taxi meters. The said notice has already been implemented and the installation of tax-declaring taxi meters has already commenced.

In view of the government policy to combat tax avoidance in the PRC, the Directors expect that the business as a system solutions provider in the tax-declaring system market in the PRC has a growth potential.

The Directors consider that the Acquisition offers the Group a good business opportunity for expanding the Group’s presence in related business with a growth potential. The Group also intends to explore the overseas market for tax-declaring products, thus creating an extent of business synergy.

As disclosed in the business licence of Huaruiyuan, Huaruiyuan is principally engaged in the design, development and sale of tax-declaring computer software and network in the PRC. The Directors consider that the business of Huaruiyuan falls within the category of “IT consultation and infrastructure projects”, being one of the major system solution services offered by the Group as disclosed in the Prospectus. The Directors confirm that the Group will expand its system solutions services to the tax-declaring system market while continuing to provide its existing services after the Acquisition. The Directors consider that the Acquisition is in line with the Group’s business objectives of becoming a leading system solutions provider with a primary focus in Hong Kong and the PRC as disclosed in the Prospectus.

The Directors (including the independent non-executive Directors) believe that they have fulfilled their duties under Rule 5.01 of the GEM Listing Rules. The Directors have conducted the following due diligence work:

- (i) visited the office of Huaruiyuan in Shenzhen, the PRC to inspect and understand their operations and business, and discussed with the Vendors and the key management of Huaruiyuan in relation to the business and operations of Huaruiyuan;
- (ii) obtained the necessary information of Huaruiyuan and evaluated the business prospects of Huaruiyuan based on the experience and knowledge of the management of the Group;
- (iii) conducted meetings of the board of Directors to consider and approve the Acquisition;

- (iv) obtained PRC legal opinion on the legality of the Acquisition;
- (v) discussed, reviewed and analysed the Acquisition, taking into consideration of the business prospects and the past and prospective performance of Huaruiyuan; and
- (vi) engaged auditors to conduct a financial due diligence review of Huaruiyuan.

## **PLACING**

On 4 July 2003, the Company entered into subscription agreements with nine placees of which seven are investors, one is the company secretary and qualified accountant of the Company and the remaining one is a connected person of the Company under the GEM Listing Rules pursuant to which the Company has agreed to place an aggregate of 400,000,000 Placing Shares to such placees at the Placing Price. There is no placing agent for the Placing.

### **The Placees and their independence**

The Placing Shares will be placed to nine placees of which seven are investors who are independent of and not connected with any of the directors, chief executive, substantial shareholders, management shareholders of the Company or any of its subsidiaries or any of their respective associates and who are not the classes of persons as stated in Rule 10.12(4) of the GEM Listing Rules, one is the company secretary and qualified accountant of the Company and the remaining placee, being Dynamate Limited, is a connected person of the Company under the GEM Listing Rules. Each of the placees of the Placing Shares is independent of and not connected with each other. The placees who is connected person of the Company for the purpose of the GEM Listing Rules and whose details are required to be disclosed under Rule 10.12(4) of the GEM Listing Rules are as follows:

<b>Placees</b>	<b>No. of Placing Shares</b>	<b>Ultimate beneficial owner</b>	<b>Relationship with the Company</b>
Dynamate Limited	220,000,000	Mr Koh	Substantial shareholder of the Company and Mr Koh is an executive Director and the chairman of the Company
Mr Leung Kin Man, Dennis	10,000,000	–	Company secretary and qualified accountant of the Company since 15 June 2003

The remaining 170,000,000 Placing Shares will be placed to the other seven investors who are independent of and not connected with any of the directors, chief executive, substantial shareholders and management shareholders of the Company or any of its subsidiaries or any of their respective associates and who are not the classes of persons as stated in Rule 10.12(4) of the GEM Listing Rules.

### **Placing Price**

The Placing Price represents (i) a discount of approximately 18.37% to the closing price of HK\$0.049 per Share as quoted on GEM on 24 June 2003, being the last trading day before the date of the Share Transfer Agreement; (ii) a discount of approximately 18.37% to the average closing price of approximately HK\$0.049 per Share as quoted on GEM for the last 10 consecutive trading days up to and including 24 June 2003; and (iii) a discount of approximately 9.09% to the net tangible asset value of HK\$0.044 per Share as shown in the Group's audited consolidated financial statements made up to 30 June 2002. The

Placing Price was arrived at after arm's length negotiations between the Company and the placees. The Directors consider that the Placing Price (including the discount to the closing prices and the net tangible asset value as shown above) and all terms of the Placing and the relevant subscription agreements are fair and reasonable and in the interests of the Shareholders as a whole.

### **Rights**

The Placing Shares, when issued and fully paid, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares and will carry the same voting rights.

### **Number of Placing Shares**

The Placing Shares represent approximately 69.08% of the existing issued share capital of the Company, approximately 40.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and approximately 32.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and Consideration Shares.

### **Mandate to issue new Shares**

The EGM will be convened and held to consider and, if thought fit, to approve, among other things, the allotment and issue of the Placing Shares to the placees under the Placing.

### **Use of proceeds**

The net proceeds of the Placing of about HK\$15,300,000 will be applied as to HK\$11,201,600 to settle the Cash Consideration payable by Wah Shui to the Vendors pursuant to the Share Transfer Agreement, as to approximately HK\$1,200,000 for the exploration of overseas market for tax-declaring products, as to approximately HK\$800,000 for the purchase of facilities and equipments used for the development of tax-declaring computer software and technology, computer system and computer network and as to the remaining balance of approximately HK\$2,098,400 as the general working capital of the Group.

### **Conditions of the Placing**

The Placing is conditional upon:

1. the approval of the Placing by the Independent Shareholders at the EGM; and
2. the GEM Listing Committee granting or agreeing to grant listing of, and permission to deal in, the Placing Shares.

The Placing is not conditional upon the completion of the Share Transfer Agreement and the conditions set out therein.

## Changes of shareholding

The changes of the shareholding of the two largest Shareholders, City Lion Worldwide Limited and Dynamate Limited, and Ingen in the Company as a result of the Placing and the allotment and issue of the Consideration Shares are as follows:

Shareholders	At the date of this announcement and immediately before completion of the Placing	Immediately after completion of the Placing	Immediately after completion of the Placing and the allotment and issue of the Consideration Shares
City Lion Worldwide Limited ( <i>Note 1</i> )	27.63%	16.34%	12.88%
Dynamate Limited ( <i>Note 2</i> )	25.93%	37.81%	29.79%
Ingen ( <i>Note 3</i> )	–	–	21.21%

### Notes:

1. The entire issued share capital of City Lion Worldwide Limited is beneficially owned by Styland (Overseas) Limited, which is in turn a wholly owned subsidiary of Styland Holdings Limited. The issued shares of Styland Holdings Limited are listed on the main board of the Stock Exchange.
2. The entire issued share capital of Dynamate Limited is beneficially owned by Mr Koh. Subject to the fulfillment of the conditions set out in the paragraph headed “Conditions of the Placing” above, a total number of 220,000,000 Shares will be placed to Dynamate Limited under the Placing.
3. Subject to the terms and conditions of the Share Transfer Agreement, an aggregate of 263,600,000 Consideration Shares will be allotted and issued to Ingen, credited as fully paid. The equity interests of Ingen are beneficially owned as to 25.40% by Chen Hong, as to 12% by Huang Shu-ying and as to the remaining 62.60% by nine third parties who are independent of and not connected with the directors, chief executives, substantial shareholders and management shareholders of the Company or any of its subsidiaries or any of their respective associates.

The Company presently does not have any controlling shareholder for the purpose of the GEM Listing Rules and it will not have any controlling shareholder for the purpose of the GEM Listing Rules after the allotment and issue of the Placing Shares and the Consideration Shares.

## Completion

Completion of the Placing will take place within 14 business days after the conditions of Placing are satisfied.

After the completion of the Placing and at all times thereafter, the Company is required to maintain not less than 25% of the enlarged issued share capital of the Company in public hands as required by Rule 11.23 of the GEM Listing Rules in relation to the minimum public float requirement. The Directors expect that there will be not less than 25% of the issued share capital of the Company in public hands immediately after the completion of the Placing.

## **Application for listing**

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

## **Shares are eligible for CCASS**

The Shares are accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Placing Shares to be admitted into CCASS.

## **Reasons for the Placing**

The Directors believe that it is in the best interests of the Group to raise fund to finance the Acquisition and to raise further capital in the equity market by way of placing. The Directors consider that the terms of the Placing were arrived at after arm's length negotiations between the Company and the placees and are fair and reasonable so far as the Shareholders are concerned. The Directors also consider that the Placing will enlarge the shareholder base and the capital base of the Company and will strengthen the financial position of the Group.

## **EGM**

The Placing is subject to the approval by the Independent Shareholders at the EGM. Dynamate Limited and its associates will abstain from voting for the relevant resolutions at the EGM due to their interest in the Placing. The Independent Board Committee comprising Mr. Ng Yat Cheung, a non-executive Director, and Mr Leung Chun Cheng and Mr Wong Shui Fun, both being the independent non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Placing. First Asia Finance Group Limited will be appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

## **GENERAL MANDATES**

The Directors propose to seek the approval of the Shareholders at the EGM to the allotment and issue of the Consideration Shares to Ingen, and the approval of the Independent Shareholders to the allotment and issue of the Placing Shares to the placees under the Placing.

The Directors also propose to seek the approval of the Shareholders at the EGM to grant the General Mandates:

1. to allot, issue or deal in Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares (other than by way of rights or pursuant to a share option scheme for employees or directors of the Company and/or any of its subsidiaries or pursuant to any scrip dividend scheme or similar arrangements or upon the exercise of rights of subscription or conversion under the terms of any securities or bonds convertible into Shares) or make or grant offers, agreements, options and warrants which might require the exercise of such power, of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Consideration Shares (the “**New Issue Mandate**”);

2. to purchase securities of the Company on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Consideration Shares (the “**Repurchase Mandate**”); and
3. to extend the New Issue Mandate by the addition thereto of an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the Repurchase Mandate.

Details of the New Issue Mandate and the Repurchase Mandate will be set out in the circular to be issued by the Company regarding the Acquisition and the Placing.

## **GENERAL INFORMATION**

The Directors consider that the Share Transfer Agreement is entered into upon normal commercial terms following arm’s length negotiations between the parties to the Share Transfer Agreement and that the terms of the Share Transfer Agreement and the Placing are fair and reasonable and in the interests of the Shareholders as a whole.

As the Consideration payable by Wah Shui to the Vendors pursuant to the Share Transfer Agreement represents approximately 80% of the net tangible assets value of the Group as shown in its audited consolidated financial statements made up to 30 June 2002 (as adjusted in accordance with Rules 19.13 and 19.14 of the GEM Listing Rules), the Acquisition constitutes a major transaction of the Company involving allotment and issue of Shares under Chapter 19 of the GEM Listing Rules. Therefore, the Acquisition is conditional upon approval by the Shareholders at the EGM. The Directors confirm that they are not aware of any Shareholder who has interest in the Acquisition other than being a Shareholder. As such, the Directors believe that no Shareholder is required to abstain from voting on the relevant resolution in relation to the Acquisition.

The entire issued share capital of Dynamate Limited, which is a management shareholder of the Company for the purpose of the GEM Listing Rules, is beneficially owned by Mr Koh, who is an executive Director and the chairman of the Company. The Placing therefore constitutes an one-off and non-exempted connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules and will be subject to, among other things, the approval by the Independent Shareholders at the EGM.

The EGM will be convened and held to consider and, if thought fit, to approve (i) the Acquisition and the allotment and issue of the Consideration Shares; (ii) the Placing; and (iii) the grant of the General Mandates. Dynamate Limited and its associates will abstain from voting in respect of the resolution approving (ii) above.

A circular containing, among other things, future details of the Acquisition, the Placing, the General Mandates, the letter from the independent financial advisor to the Independent Board Committee, the recommendation of the Independent Board Committee to the Independent Shareholders on the Placing together with the notice of the EGM will be despatched to the Shareholders within 21 days from the date of this announcement.

**The Acquisition and the Placing are conditional. Accordingly, the Acquisition and/or the Placing may or may not proceed. Shareholders and public investors are advised to exercise caution when dealing in Shares.**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 10:22 a.m. on 25 June 2003 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares at 9:30 a.m. on 16 July 2003.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition by Wah Shui of 95% of the equity interests in Huaruiyuan from the Vendors subject to and upon the terms and conditions of the Share Transfer Agreement
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Clearing Company Limited
“Company”	Inworld Group Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition pursuant to the Share Transfer Agreement
“Cash Consideration”	the amount of HK\$11,201,600 (representing approximately 49% of the Consideration) to be paid in cash by Wah Shiu to satisfy part of the Consideration pursuant to the Share Transfer Agreement
“Conditions”	the conditions precedent to the Share Transfer Agreement
“Consideration”	the aggregate consideration in the sum of HK\$22,800,000 payable by Wah Shui to the Vendors for the Acquisition pursuant to the Share Transfer Agreement
“Consideration Shares”	an aggregate of 263,600,000 new Shares to be allotted and issued to Ingen at the Issue Price, credited as fully paid, pursuant to the Share Transfer Agreement and as part of the Consideration
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the Acquisition, the Placing and the grant of the General Mandates
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for GEM



“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandates”	the general mandates proposed to be granted at the EGM to the Directors to repurchase Shares and issue further new Shares not exceeding 10% and 20% respectively of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and Consideration Shares
“Group”	the Company and all of its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaruiyuan”	Shengzhen Huaruiyuan Company Limited (深圳市華瑞源實業有限公司), a limited liability company established in the PRC, which is beneficially owned as to 90% by Ingen and as to 5% by each of Huang Shu-ying and Chen Hong before Completion and will be beneficially owned as to 95% by Wah Shui, as to 2.5% by each of Huang Shu-ying and Chen Hong immediately after Completion
“Independent Board Committee”	an independent board committee, comprising Mr. Ng Yat Cheung, a non-executive Director, and Mr Leung Chun Cheng and Mr Wong Shui Fun, both being the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Placing and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Dynamate Limited, who is a management shareholder of the Company for the purpose of the GEM Listing Rules and the beneficial owner of 25.93% of the existing issued share capital of the Company, and its associates
“Ingen”	Shenzhen Ingen Technology Company Limited (深圳市穎臻技術股份有限公司), a joint stock limited liability company established in the PRC and principally engaged in the development and manufacture of tax-declaring products in the PRC, the equity interests of which are beneficially owned as to 25.40% by Chen Hong, as to 12% by Huang Shu-ying and as to the remaining 62.60% by nine third parties who are independent from and not connected with the directors, chief executive, substantial shareholders and management shareholders of the Company or any of its subsidiaries or any of their respective associates, and one of the Vendors
“Issue Price”	the issue price of HK\$0.044 per Consideration Share
“Mr Koh”	Mr Koh Tat Lee Michael, an executive Director, the chairman of the Company and the beneficial owner of the entire issued share capital of Dynamate Limited, which in turn beneficially owns 25.93% of the existing issued share capital of the Company

“Placing”	placing of the Placing Shares by the Company
“Placing Price”	the placing price of HK\$0.04 per Placing Share under the Placing
“Placing Shares”	400,000,000 new Shares to be placed by the Company pursuant to the Placing
“PRC”	the People’s Republic of China, and for the purposes for this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated 18 December 2001
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Transfer Agreement”	the share transfer agreement dated 25 June 2003 and the supplemental agreement dated 15 July 2003 entered into between the Vendors and Wah Shui in respect of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively, Ingen, Huang Shu-ying and Chen Hong
“Wah Shui” or “Purchaser”	Wah Shui Company Limited, an investment holding company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, the purchaser under the Share Transfer Agreement
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“%”	per cent.

For the purpose of this announcement, unless otherwise specified, conversions of Renminbi into Hong Kong dollars are based on the approximate exchange rate of RMB1.06 to HK\$1.00.

By order of the board of directors of  
**Inworld Group Limited**  
**Koh Tat Lee, Michael**  
*Chairman*

Hong Kong, 15 July, 2003

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least seven days from the day of its posting and on the website of the Company at [www.inworld.com.hk](http://www.inworld.com.hk).*