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 2003

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* *For identification purpose 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 2003, together with the comparative audited figures for the previous year as follows:

	Notes	**2003** *HK$'000*	**2002** *HK$'000*
TURNOVER	*2*	1,558	6,746
Cost of sales		(3,963)	(3,452)
Gross (loss)/profit		(2,405)	3,294
Other revenue	*2*	5,979	4,933
Selling and distribution costs		(2,322)	(1,420)
Administrative expenses		(13,817)	(6,942)
Impairment of product development costs		(6,620)	–
Provision for impairment of goodwill		–	(4,449)
LOSS FROM OPERATIONS	*4*	(19,185)	(4,584)
Finance costs		–	–
LOSS BEFORE TAX		(19,185)	(4,584)
TAXATION	*5*	–	–
LOSS BEFORE MINORITY INTERESTS		(19,185)	(4,584)
MINORITY INTERESTS		72	142
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	*6*	(19,113)	(4,442)
DIVIDEND	*8*	–	–
LOSS PER SHARE			
Basic, HK cents	*7*	(3.303)	(0.842)
Diluted, HK cents		N/A	N/A

Notes:

1. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

In the current year, the Group adopted the following new and revised SSAPs which are effective for the first time for the current year's financial statements.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs, which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 (revised) prescribed the basis for presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The consolidated statement of changes in equity for the current financial year and the comparative figures has been presented in accordance with the revised SSAP.

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The revision to this SSAP has eliminated the choice of translating the income statements of overseas subsidiaries and associates at the closing rate of that period. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting period.

SSAP 15 (revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised.

SSAP 34 prescribed the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are required in respect of the Company's share option scheme.

2. TURNOVER AND REVENUE

	2003 *HK$'000*	2002 *HK$'000*
Turnover		
System solutions services income		
IT projects		
– Consultation	733	1,200
– Infrastructure	579	2,425
Internet-based applications	–	2,500
Web hosting income	66	–
Web page design and development	–	87
Banner design and advertisement income	–	480
Membership income	–	52
Online room reservation income	44	2
Cyber cafe income	136	–
	1,558	6,746
Other revenue:		
Sale of computer hardware and software	368	15
Less: cost of good sold	(322)	–
	46	15
Interest income	42	169
Exchange gain	–	43
Rental income	3	9
Sundry income	148	237
Unrealised gain on investment securities	5,740	–
Gain on disposal of investment securities	–	4,460
	5,979	4,933
Total revenue	7,537	11,679

3. SEGMENT INFORMATION

Business segments

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.

Segment assets to be allocated to business segments are as follows:

Group:

	2003 *HK$'000*	2002 *HK$'000*
Trade receivables		
Continuing operations		
IT projects consultation and infrastructure	4	1,350
Internet-based applications	–	2,100
Web page design and development	–	14
Membership income	–	14
Cyber cafe income	10	–
	14	3,478

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, Macau and the People's Republic of China (the "PRC").

	2003	2002
	HK$'000	*HK$'000*
Revenue from external customers		
– Hong Kong	1,317	6,692
– Singapore	13	–
– Macau	184	54
– the PRC	44	–
Total revenue from external customers	1,558	6,746
Other revenue		
– Hong Kong	5,927	4,879
– Others	52	54
	5,979	4,933
Total operating revenue	7,537	11,679
Segment results		
– Hong Kong	(11,785)	1,412
– Singapore	(2,233)	(872)
– Macau	(2,880)	(507)
– the PRC	(2,287)	(168)
Unallocated expenses	–	(4,449)
Loss from operations	(19,185)	(4,584)
Finance costs	–	–
Taxation	–	–
Minority interests	72	142
Loss attributable to shareholders	(19,113)	(4,442)
Depreciation		
– Hong Kong	563	555
– Singapore	87	46
– Macau	165	90
– the PRC	13	–
	828	691

More than 90% of segment assets and capital expenditure are in Hong Kong at 30th June 2003 and 2002.

4. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Auditors' remuneration	120	126
Staff costs (excluding Directors' remuneration):		
– Wages and salaries	3,279	4,464
– Retirement benefits contributions	80	138
Research expenses incurred	290	372
Exchange loss	7	11
Depreciation of		
– Owned assets	828	691
Amortisation of		
– intangible assets	1,590	–
– product development cost	2,271	–
Operating lease rentals in respect of land and buildings	1,125	730
Provision for doubtful debt	79	150
Loss on disposal of property, plant and equipment	508	109
Impairment of product development costs	6,620	–
Impairment of property, plant and equipment	–	230

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 profit 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.

No provision for deferred taxation has been made as the Group and the Company have no material potential liabilities arising on timing difference at the balance sheet date.

6. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 30th June 2003 was HK$3,663,000 (2002: HK$355,000).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$19,113,000 (2002: HK$4,442,000) and the weighted average of 578,667,024 (2002: 527,868,493) ordinary shares in issue during the year.

There were no potential dilutive shares in existence for the year ended 30th June 2003 and, accordingly, no diluted loss per share has been presented.

Diluted loss per share amounts for the year ended 30th June 2002 has not been presented since all share options granted can only be exercised after 30th June 2002, the computation of diluted loss per share is based on the same weighted average number of ordinary shares for the purpose of basic loss per share.

8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 30th June 2003 (2002: Nil).

9. RESERVES

Group

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1st July 2001	12,195	–	(4,167)	8,028
Issuing of shares upon listing	29,760	–	–	29,760
Issuing expenses	(7,094)	–	–	(7,094)
Arising from reorganization	(12,195)	12,195	–	–
Capitalisation issue	–	(4,799)	–	(4,799)
Net loss for the year	–	–	(4,442)	(4,442)
At 30th June 2002	22,666	7,396	(8,609)	21,453
At 1st July 2002	22,666	7,396	(8,609)	21,453
Net loss for the year	–	–	(19,113)	(19,113)
At 30th June 2003	22,666	7,396	(27,722)	2,340

Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
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	–	–	(355)	(355)
At 30th June 2002	22,666	2,985	(355)	25,296
At 1st July 2002	22,666	2,985	(355)	25,296
Net loss for the year	–	–	(3,663)	(3,663)
At 30th June 2002	22,666	2,985	(4,018)	21,633

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

The turnover of the Group was approximately HK$1,558,000 for the year ended 30th June 2003 (2002: HK$6,746,000). This represented a decline of 77% from the previous year due to the unfortunate saga of Severe Acute Respiratory Syndrome ("SARS") in the second half of the fiscal year and the consequential slowdown of business activities in various countries that the Group operated in. In line with its business objectives, the Group branched out its business from Hong Kong to Singapore, Macau and the People's Republic of China (the "PRC") during the fiscal year. After the various operating bases were established in the first half of the fiscal year, the SARS saga hit. Businesses in Singapore, Hong Kong and parts of China virtually came to a halt and significantly impacted the turnover of the Group.

Operating expenses

Following the expansion of the Group's geographic coverage and client base, the related selling and distribution costs and administrative expenses increased. Since the Group was in the establishment stage in various markets, the additional cost outlay has not resulted in a direct proportional gain in turnover yet.

Loss for the year

The consolidated loss of the Group for the year ended 30th June 2003 was approximately HK$19,113,000 (2002: loss of HK$4,442,000). The loss widened in the current fiscal year as the turnover was heavily hit by the SARS saga while the Group was expanding its geographic coverage and incurring additional expenses and costs. In addition, due to the changes in technology and operating environment of different clients, the directors identified that the results of certain research and development projects may be obsolete. This resulted in a provision for impairment of product development costs of approximately HK$6,620,000.

Liquidity, financial resources and gearing

The Group generally finances its operation with internally generated cash flow and remaining 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 2003, shareholders' funds of the Group amounted to approximately HK$8,130,000 (2002: HK$27,213,000). Current assets amount to approximately HK$9,089,000, of which approximately HK$270,000 were cash and bank balances. Current liabilities of approximately HK$1,812,000 mainly comprised trade deposits received, other payables and accrued expenses and amount due to a director.

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 2003 and to the date of this report, the Group did not have any bank borrowing or long-term debts (2002: 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 the New Issue (as defined in the Prospectus).

During the fiscal year ended 30th June 2003, the business activities of the Group were mainly denominated in 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 hedging purposes and is not engaged in foreign currency speculative activities.

Investments

As at 30th June 2003, the Group held 104,999,999 shares and 950,000 shares of two companies which shares are listed on GEM. The investment of 104,999,999 shares in one of these listed companies are suspended as at the date of this report. During the year under review, the Group did not receive any dividend from these listed securities (2002: Nil). The Group intends to hold these listed securities for trading purpose.

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

On 25th June 2003, Wah Shui Company Limited, a wholly-owned subsidiary of the Company, entered into a conditional share transfer agreement to acquire 95% of the equity interest in Shenzhen Huaruiyuan Company Limited. The acquisition was completed on 23rd September 2003 through placement of 400,000,000 shares of the Company for cash and allotment of 263,600,000 shares of the Company as consideration.

Other than the aforementioned, 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).

The Group currently does not have any future plans for material investment or capital assets.

Employees and remuneration policies

As at 30th June 2003, the Group had 10 employees (2002: 34), including directors of the Company. For the year under review, the remuneration of the Group amounted to approximately HK$4,578,000 (2002: 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 of individual employees. The Group also provides retirement schemes and medical insurance scheme for its employees. The Group has adopted a Pre-IPO Share Option Scheme pursuant to which the Group granted options to persons including executive directors and 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 (2002: Nil).

Contingent liabilities

As at 30th June 2003, the Group had no contingent liabilities (2002: 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 continued to pursue its overall objective in the current fiscal year ended 30th June 2003.

Unfortunately the progress of the Group's objective was materially affected by the SARS saga which hit heavily at the Group's various operating centres in Hong Kong, Singapore and the PRC. The impact was almost equally severe for all business segments of the Group.

During the first nine months of the fiscal year, the Group launched new wireless office infrastructure service in Hong Kong and a new motor geographical positioning service in the PRC. The Group also expanded its ASP business in the PRC and continued its research and feasibility studies in various Internet-based applications. Management of the Group had established a strong springboard for leaping into vigorous business expansion in the final quarter of the fiscal year.

Unfortunately, the SARS saga hit Hong Kong, Singapore and the PRC from March 2003 onwards. The Group's customers in these regions scaled back their IT investments due to the uncertainty raised by SARS. Business in general was affected due to restrictions on travel and other measures imposed by companies in pre-caution of the spread of SARS. The Group's operation was greatly affected as our business was in the expansion stage and keeping close contacts with our potential customers was crucial. Sales in the last quarter of the fiscal year came to a halt.

In response to the drop in turnover, management scaled back all operating expenses of the Group. Headcounts were cut to match the level of revenue. Some of the development projects of the Group were affected by this scale back and resulted in delays of the realization date of such projects. For prudence, provisions were provided against these development projects and thus, the results for the fiscal year ended 30th June 2003 were significantly worse than the previous year.

Prospects

In view of the significant business impact of the SARS saga, the board of directors of the Company decided that the Group must expand its business scope and geographical coverage to better equip itself for future events. This is in line with the business objective of the Group as stated in the Prospectus. The Group will continue to expand its business alliance activities.

On 23rd September 2003, Wah Shui Company Limited, a wholly-owned subsidiary of the Company, completed its purchase of 95% of the equity interests in Shenzhen Huaruiyuan Company Limited ("Huaruiyuan"). The principal activities of Huaruiyuan are the design and development of tax-declaring computer software and the integration of tax-declaring computer system and network in the PRC. It 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.

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 confirmed 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.

The Directors anticipate that the economic climate in the PRC will maintain its present upward trend. 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 8th 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 9th 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 solution provider in the tax-declaring system market in the PRC has a growth potential.

The Directors consider that the acquisition of Huaruiyuan offer 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 business synergy of its existing business.

With the SARS saga behind us, the Group looks forward to a broader range of system solutions and IT consultancy services to offer to our customers in the future.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress made in comparison with the business objectives as per the Prospectus up to 30th June 2003:

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	• The Group continued to strengthen its operation and work toward expansion of market shares in the geographical areas where the Group operated.
• To obtain initial contracts for its IT outsourcing services provided through the Group's proposed joint ventures in Beijing, Guangzhou and Shanghai, the PRC	• The Group successfully obtained initial contracts for its outsourcing services in Shanghai and Beijing, the PRC.
• To increase the revenue derived from the ASP business through the Group's e-commerce platform, the IMP	• Revenue derived from the ASP business remained stagnant due to the slowdown of economic activities caused by the SARS saga.
• To increase the revenue derived from cyber café business	• Revenue derived from cyber café business increased steadily from the operation in Macau.
• To increase the revenue derived from selling generic Internet-based applications to the SMEs	• Revenue derived from selling generic Internet-based applications to the SMEs remained stagnant due to the slowdown of economic activities caused by the SARS saga.
• To maintain revenue derived from the sale of generic or customized Internet-based applications by launching new products catering for the evolution of information technology for the time being notwithstanding that the Directors expect the e-Stock System and the WAP system would have become obsolete during the period	• Revenue derived from the sale of generic or customized Internet-based applications contracted significantly due to the slowdown of economic activities caused by the SARS saga. The Directors are closely monitoring the development and reformulating a new launch schedule of new products.

According to the business objectives as stated in the Prospectus for the relevant period	Actual business progress
Product and services development	
• To continue the product and services development activities from the previous period	• The Group continued the development activities from the previous period but the progress was delayed due to the slowdown of economy and the SARS saga.
• To continue the research and development in customizing the Group's Internet-based applications and the ASP services to provide customers with industry-focused solutions	• Research, feasibility studies and free trial ASP service have been extended to better test the applications for commercial launching.
• To conduct the research and development of a new ASP product, namely the CRM application	• Research, feasibility studies and free trial ASP service have been extended to better test the applications for commercial launching.
• To continue the research and development of new Internet-based applications and ASP products by integrating the latest technology available at the time being in order to cater for the ever-changing needs of its customers	• The Group continued its research and feasibility studies in this area.
Marketing	
• To implement focused marketing activities to promote the Group's Internet-based applications in all geographical areas where the Group has an operational presence	• The Group had promoted its applications through advertisement in various journals, web pages and approached targeted customers by fax, email, web page and telephone.
• To implement a marketing program to promote the Group's corporate image as a comprehensive system solution services provider and the ASP in the PRC	• The Group had promoted its corporate image through advertisement in various journals, web pages and approached targeted customers by fax, email, web page and telephone.

According to the business objectives as stated in the Prospectus for the relevant period	Actual business progress
Expansion and business alliance	
• To continue the expansion and business alliance activities from the previous period	• The Group acquired a new subsidiary, Huaruiyuan, in the PRC to further expand its operating base in the PRC. The Group continued to look into opportunities and explore various venues for potential business alliance activities.
• Subject to the favourable findings of the feasibility study conducted in the previous periods, to establish a research and development team in Singapore	• Due to the SARS sage in Singapore, the feasibility study was suspended and the establishment of a possible research and development team in Singapore was delayed.

Use of proceeds

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

	Originally planned up to 30th June 2003 *HK$ in million*	Actual amount used up to 30th June 2003 *HK$ in million*
Research and development of new applications and system solutions	0.90	2.50
Development of ASP business	1.20	2.30
Enhancement of e-commerce platform	0.65	1.20
Development of new and enhancement of existing Internet based applications	1.50	2.25
Marketing and promotion activity	1.01	1.80
Enhancement of the Internet infrastructure of the Group	0.60	1.30
Formation of strategic and business alliance	1.50	6.95
Development of cyber café	1.50	1.80
Working capital	2.00	3.26
Total	10.86	23.36

Due to the contraction of business revenue caused by the SARS saga in the latter half of the fiscal year ended 30th June 2003, the Directors allocated more of the net proceeds from the New Issue to support the operation of the Group for the current year. The Group continued its business development plan and strengthened its competitive ability in preparation for the coming years. Usage of the net proceeds in the working capital area increased significantly because of the slow down of general economic atmosphere in the Asia Pacific region.

Though the actual amount of the use of proceeds varied from the original plan, 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 variances in the usage were mainly due to timing difference in the fund application. The balance of the unused proceeds was placed as bank deposits as at 30th June 2003.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

BOARD PRACTICES AND PROCEDURES

In the opinion of the Directors, 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 the GEM.

By Order of the Board
Koh Tat Lee, Michael
Chairman

Hong Kong, 25th September 2003

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.