Inworld Group Limited
活力世界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2003

CHARACTERISTICS OF THE GROWTH ENTERPRISES 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 Main Board 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 announcement 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.

This report, for which the Directors (the "Directors") of Inworld Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: 1. the information contained in this report 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 report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Koh Tat Lee, Michael *(Chairman)*
Chu Siu Wah

Non-executive Directors
Ng Yat Cheung

Independent Non-executive Directors
Leung Chun Cheng
Wong Shui Fun

QUALIFIED ACCOUNTANT

Leung, Dennis

COMPANY SECRETARY

Leung, Dennis

COMPLIANCE OFFICER

Koh Tat Lee, Michael

AUTHORISED REPRESENTATIVES

Koh Tat Lee, Michael

AUDIT COMMITTEE

Leung Chun Cheng
Wong Shui Fun
Ng Yat Cheung

REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3rd Floor, Chinese Club Building
21-22 Connaught Road Central
Central, Hong Kong

PRINCIPAL BANKERS

Liu Chong Hing Bank Limited
Standard Chartered Bank
Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, 68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

SPONSOR

Sun Hung Kai International Limited

LEGAL ADVISER

As to Hong Kong Law:
Michael Li & Co

As to Cayman Island Law:
Maples and Calder Asia

WEBSITE

www.inworld.com.hk

STOCK CODE

8100

Chairman's Statement

Dear Shareholders,

The first half of our fiscal year ended 30th June 2003 was eventful. The outbreak of SARS in Asia had a severely negative impact on the already weak Hong Kong economy, as it did on Inworld Group Limited (the "Company") and its subsidiaries' (hereinafter collectively referred to as the "Group") operations here and in other major markets. The gloomy consumer sentiment, coupled with a record high unemployment rate and diminished wealth effect, aggravated the already weakened Hong Kong economy. The IT industry was one of the hardest hit sectors as a great number of firms felt the bite of a secular recession, forcing them to refrain from pushing through with expansion plans.

Notwithstanding the volatile market, the Group has been actively seeking investment opportunities to enhance shareholders' value and wisely utilize our resources to grow our current businesses. With this mission in mind, the Group has embarked on a major push to restructure our current businesses. In order to cut costs and conserve cash, the Group has revisited its operations in major markets and reduced staff numbers in non-performing ones.

In addition, the Group has never stopped to explore new business opportunities. After making significant efforts, the Group is proud to announce our first major acquisition in China — that of Shenzhen Huaruiyuan Company Limited ("Huaruiyuan"). Huaruiyuan specializes in the provision of tax-declaring software and integration of hardware and computer systems. Its major clients include provincial governments and major oil companies in China.

The management is confident that Huaruiyuan will fuel the Group with significant growth in the future. The management believes that the acquisition of Huaruiyuan marks a milestone of the development of the Group.

Looking ahead, the Group will continue to seek merger and acquisition opportunities in the Greater China Region so as to enhance shareholders' value.

Last but not least, I would like to express my thanks to all the previous directors that served on the board. Their diligence and directions have given the current management team many points to ponder upon. On behalf of the Group, I would also like to take this opportunity to extend our gratitude to customers and shareholders for their continuous support and our staff for their invaluable dedication and contribution in the past year. In view of the difficult time we faced under the SARS saga, these support, dedication and contribution was even more special and priceless.

Koh Tat Lee, Michael
Chairman

Hong Kong, 25th September 2003

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.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

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$3,359,000 (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.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

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.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

Prospects *(Continued)*

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.

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
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.

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
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

Comparison of Business Objectives with Actual Business Progress

Use of proceeds *(Continued)*

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.

Directors and Senior Management

Executive Directors

Mr. Koh Tat Lee, Michael, aged 37, joined the Group on 23rd April 2003 and is responsible for overseeing the general management and formulating strategic plans for the Group. In addition, he is in charge of product development and sales and marketing strategies. Mr. Koh was appointed as an executive director of another company listed on the Main Board of the Stock Exchange of Hong Kong Limited in October 2001 and has resigned in October 2002 as an executive director. Mr. Koh possess more than ten years of experience in the telecommunications industry and has worked at Bell South and AT&T in the United States and was promoted to technical director before he left AT&T. During his tenure as vice-president at First Pacific Company Limited from 1994 to 1997, Mr. Koh founded a private company called Tuntex Telecom in Taiwan and assumed the post of president for the period from 1995 to 1997. Mr. Koh holds a master degree in electrical engineering and a master degree in industrial engineering from Columbia University in the United States.

Mr. Chu Siu Wah, aged 37, possesses over nine years of experience in the equity research industry. After receiving a master of science degree from the Portland State University in the United States in 1992, he was engaged by Swiss Bank Corporation in Hong Kong as a regional economist in 1993. In 1996, He joined the Development Bank of Singapore as a chief economist. Prior to joining the Group on 14th April 2003, he was head of research with G.K Goh Securities (HK) Limited and was responsible for the Hong Kong and China markets.

Non-executive Directors

Mr. Ng Yat Cheung, aged 48, received an associate degree in arts in business data processing from Chabot College in the United States in 1984. He holds director's offices with a number of private companies which are principally engaged in technology, property development, insurance, finance and property holding.

Independent non-executive Directors

Mr. Leung Chun Cheng, aged 40, has extensive experience in the fields of electronics and telecommunication while working as an engineer in Companhia de Telecomunicacoes de Macau S.A.R.L. Mr. Leung obtained the Professional Certificate in E-Commerce from The Open University of Hong Kong and Higher National Diploma in Electronics & Communication Engineering from Business & Technician Education Council, United Kingdom. Mr. Leung is a director of various private companies.

Mr. Wong Shui Fun, aged 38, possesses more than eight years of experience of trade finance from the Hongkong and Shanghai Banking Corporation, and was head of the small medium business department responsible for implementing the sales and marketing strategy in the Hong Kong region. Mr. Wong is currently the president of a private biochemical company, Capital Field International Limited, in Hong Kong. Mr. Wong holds a bachelor of arts degree in international marketing from San Francisco State University in the United States.

Directors and Senior Management

Senior management

Mr. Leung Dennis, aged 36, is the company secretary, qualified accountant and financial controller of the Group. Mr. Leung started his career in North America and later joined an international Big Four accounting firm in Hong Kong. He had served clients in various industries including information technology, banking, securities dealing, manufacturing and insurance industry. Mr. Leung later joined a multi-national information technology consulting firm as chief operating officer and helped the company to grow from a Hong Kong based firm to an international firm with operations in the United States of America, Canada and Singapore. Mr. Leung rejoined the accounting profession in 2001 and was posted in Shenzhen, People's Republic of China prior to joining the Group in 2003. Mr. Leung is an associate member of the Hong Kong Society of Accountants and a member of the America Institute of Certified Public Accountants.

Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of Inworld Group Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30th June 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 30th June 2003 are set out in the consolidated income statement on page 24.

The state of affairs of the Group and the Company as at 30th June 2003 are set out in the balance sheets on pages 25 and 26 respectively.

The Directors do not recommend the payment of dividend for the year ended 30th June 2003.

SEGMENT INFORMATION

Details of segment information are set out in note 5 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results of the Group for each of the four years ended 30th June 2003 and of the assets and liabilities as at 30th June 2000, 2001, 2002 and 2003 is set out on page 61.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30th June 2003 are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the financial statements.

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 13 to the financial statements.

SHARE OPTION SCHEME

Particulars of the share option schemes of the Group are set out in note 13 to the financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Koh Tat Lee, Michael *(Chairman)*	(appointed on 23rd April 2003)
Mr. Chu Siu Wah	(appointed on 9th May 2003)
Mr. Ngai Kwok Kin, Kevin	(resigned on 13th June 2003)
Ms. Lee Wing On	(appointed on 31st January 2003 and resigned 13th May 2003)
Mr. Mak Chee Yeong	(resigned on 23rd April 2003)
Mr. Chan Wai Lun	(resigned on 31st January 2003)

Non-executive Directors

Mr. Ng Yat Cheung	(appointed on 18th June 2003)

Independent Non-executive Directors

Mr. Leung Chun Cheng	
Mr. Wong Shui Fun	(appointed on 23rd April 2003)
Mr. Cheng Koon Cheung	(resigned on 23rd April 2003)

In accordance with Article 99 of the Company's Articles of Association, all present Directors shall hold office until next annual general meeting of the Company and shall then be eligible for re-election by ordinary resolution.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had any interests in any contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

At 30th June 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO") (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Rules 5.40 to 5.58 of the Rules Governing The Listing of Securities on The Growth Enterprises Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transaction by Directors, were as follows:

	Number of shares in the Company				
Name of Directors	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Total Interests**	**Percentage of Interests**
Mr. Koh Tat Lee, Michael *(Note)*	–	–	150,163,200	150,163,200	25.93%
Mr. Chiu Siu Wah	7,576,000	–	–	7,576,000	1.31%

Note: These shares are held by Dynamate Limited of which the entire issued share capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited.

On 7th March 2003, Mr. Ngai Kwok Kin, Kevin ("Mr. Ngai"), the former chairman and executive director of the Group who was the sole shareholder of Dynamate Limited ("Dynamate"), disposed the entire share capital of Dynamate to Mr. Koh Tat Lee, Michael ("Mr. Koh") (the "Share Transfer"), who is the Chairman and executive Director of the Group.

As at 7th March 2003, Dynamate holds 150,163,200 shares of the Company, representing approximately 25.93% of the issued share capital of the Company. Save for this shareholding in the shares, Dynamate does not hold any other asset.

The total consideration to be paid by Mr. Koh for the Share Transfer amounted to HK$1,501,632, representing HK$0.01 per share, and a discount of approximately 77.78% over the closing price of the shares of HK$0.045 each as quoted on the Stock Exchange on 7th March 2003, being the last trading date prior to the suspension of the trading of the shares on 10th March 2003.

Prior to the Share Transfer, Mr. Koh was not beneficially interested in any share of the Company (the "Share"). Immediately after the Share Transfer, Mr. Koh is beneficially interested in the entire issued share capital of Dynamate.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Mr. Koh is not connected with the Directors, substantial shareholders, management shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules). As Mr. Koh will be beneficially interested in less than 30% of the issued share capital of the Company upon completion of the Share Transfer, and there are no parties acting in concert (as defined in Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") with him as at 7th March 2003, completion of the Share Transfer would not give rise to an obligation under Rule 26 of the Takeovers code on the part of Mr. Koh to make a general offer for all the Shares not held by Mr. Koh and parties acting in concert with him.

Save as disclosed above, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transaction by directors.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Report of the Directors

SHARE OPTIONS

Pursuant to the terms of the pre-IPO share option scheme adopted by the Company on 14th December 2001 ("Pre-IPO Share Option Scheme"), 2 executive directors, a director of a subsidiary of the Company in Singapore and 15 full-time employees of the Group were granted options to subscribe for an aggregate of 57,600,000 Shares (representing 10% of the issued share capital of the Company as at the date on which dealings in the Shares commenced on GEM) at the nominal value of the Share. 630,000 options were cancelled during the year ended 30th June 2002. Details of the share options as at 30th June 2003 were as follows:

Name	Outstanding as at 1st July 2002	Exercised during the year	Cancelled during the year	Outstanding as at 30th June 2003	Option period	Exercise price per share
Mr. Ngai Kwok Kin, Kevin	19,580,000	–	19,580,000	–	*Note 1*	HK$0.01
Mr. Chan Wai Lun	19,230,000	–	19,230,000	–	*Note 1*	HK$0.01
Ms. Lee Wing On	1,730,000	576,000	1,154,000	–	*Note 2*	HK$0.01
Employees	16,430,000	2,432,000	13,998,000	–	*Note 3*	HK$0.01
	56,970,000	3,008,000	53,962,000	–		

Notes:

1. Pursuant to the terms of the Pre-IPO Share Option Scheme, Mr. Ngai Kwok Kin, Kevin and Mr. Chan Wai Lun are entitled to exercise (i) two-third of the options granted to them (rounded down to the nearest whole number) after the expiry of 12 months after the date on which dealings in the shares commenced on GEM; (ii) the remaining options after the expiry of 18 months after the date on which dealings in the shares commenced on GEM.

2. Pursuant to the terms of the Pre-IPO Share Option Scheme, Ms. Lee Wing On are entitled to exercise (i) one-third of the options granted to her (rounded down to the nearest whole number) after the expiry of 6 months after 31st December 2001; (ii) one-third of the options granted to her (rounded down to the nearest whole number) after the expiry of 12 months after 31st December 2001; (iii) the remaining options after the expiry of 18 months after the 31st December 2001.

3. Pursuant to the terms of the Pre-IPO Share Option Scheme, options granted to grantees other than directors are entitled to exercise (i) one-third of the options granted to them (rounded down to the nearest whole number) after the expiry of 6 months after the date on which dealings in the Shares commenced on GEM; (ii) one-third of the options granted to him/her (rounded down to the nearest whole number) after the expiry of 12 months after the date on which dealings in the Shares commenced on GEM; (iii) the remaining options after the expiry of 18 months after the date on which dealings in the Shares commenced on GEM.

Report of the Directors

SHARE OPTIONS *(Continued)*

The date of grant of all share options under the Pre-IPO Share Option Scheme was 14th December 2001.

Mr. Chan Wai Lun resigned as an executive director with effect from 31st January 2003. Pursuant to the terms of the Pre-IPO Share Option Scheme, his options had lapsed and were not be exercised from the date of resignation.

Pursuant to the terms of the Pre-IPO Share Option Scheme, the Board of Directors resolved to cancel the options granted to Mr. Ngai Kwok Kin, Kevin, Ms. Lee Wing On and grantees other than the Directors with effect from 19th March 2003.

Ms. Lee Wing On was the employee of the Group prior to her appointment as the Director of the Company on 31st January 2003 and was granted 1,730,000 options under the Pre-IPO Share Option Scheme. She exercised 576,000 share options on 2nd July 2002. At 31st January 2003, she had outstanding share options of 1,154,000 granted to her under the Pre-IPO Share Option Scheme.

During the year ended 30th June 2003, 9 grantees, including 8 employees and Ms. Lee Wing On, had exercised a total of 3,008,000 share options granted to them under the Pre-IPO Share Option Scheme.

Save as disclosed above, none of the Directors and employees of the Group had exercised their share options during the year ended 30th June 2003.

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

The Company has also adopted a share option scheme on 14th December 2001 ("Share Option Scheme") under which the Directors may at their discretion grant options to employees (whether under full-time or part-time employment) and directors (whether executive, non-executive or Independent non-executive) of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. No share options were granted by the Company under the Share Option Scheme up to the date of approval of the financial statements.

VALUATION OF SHARE OPTION

The options granted under both Pre-IPO Share Option Scheme and Share Option Scheme are not recognised in the financial statements until they are exercised. As there were no option granted during the year under review, no valuation of the option value can be determined.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2003, the following persons (not being Directors or chief executive of the Company whose interest are disclosed above) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 or Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Number of shares held	Percentage of the Company's share capital
City Lion Worldwide Limited *(Note 1)*	160,000,000	27.63%
Styland (Overseas) Limited *(Note 1)*	160,000,000	27.63%
Styland Holdings Limited *(Note 1)*	160,000,000	27.63%
Dynamate Limited *(Note 2)*	150,163,200	25.93%

Notes:

1. The entire issued share capital of City Lion Worldwide Limited is beneficially owned by Styland (Overseas) Limited, which entire issued share capital is in turn beneficially owned by Styland Holdings Limited. Accordingly, each of Styland (Overseas) Limited and Styland Holdings Limited is deemed to be interested in the 160,000,000 Shares beneficially owned by City Lion Worldwide Limited.

2. These shares are held by Dynamate Limited of which the entire issued share capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of aggregate turnover attributable to the Group's five largest customers is as follows:

	%
The largest customer	77
Five largest customers combined	94

Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interests in the Group's five largest customers or five largest suppliers.

Report of the Directors

COMPETING INTEREST

None of the Directors or management shareholders (as defined in the GEM Listing Rules) of the Company have any interest in any business which competes with or may compete with the business of the Group.

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.

SPONSOR'S INTEREST

None of the Company's sponsor, Sun Hung Kai International Limited ("Sun Hung Kai International"), its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 30th June 2003.

Pursuant to an agreement dated 17th December 2001 entered into between the Company and Sun Hung Kai International, Sun Hung Kai International has been retained to act as the Company's sponsor for the period from 31st December 2001 to 30th June 2004 in return for a monthly advisory fee.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MANAGEMENT CONTRACTS

None of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors has entered into any service contract with the Group.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BOARD PRACTICES AND PROCEDURES

In the opinion of the Directors, the Company has complied with the "Board Practices and Procedures" as set out in Rule 5.28 and 5.39 of the GEM Listing Rules since the listing of the Company's shares on GEM on 31st December 2001, except that the independent non-executive directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Associations.

Report of the Directors

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises one Non-Executive Director of the Company and two Independent Non-Executive Directors of the Company.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 29 to the financial statements.

AUDITORS

Messrs. HLB Hodgson Impey Cheng having been appointed the auditors of the Company in succession to Messrs. Charles Chan, Ip and Fung CPA Ltd, retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Koh Tat Lee, Michael
Chairman

Hong Kong, 25th September 2003

Auditors' Report

國衛會計師事務所
HLB Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

TO THE MEMBERS OF INWORLD GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 24 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30th June 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 25th September 2003

Consolidated Income Statement

For the year ended 30th June 2003 (in HK Dollars)

	Notes	2003 HK$'000	2002 HK$'000
TURNOVER	4	**1,558**	6,746
Cost of sales		**(3,963)**	(3,452)
Gross (loss)/profit		**(2,405)**	3,294
Other revenue	4	**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)**	–
Impairment of goodwill		**–**	(4,449)
LOSS FROM OPERATIONS	6	**(19,185)**	(4,584)
Finance costs		**–**	–
LOSS BEFORE TAX		**(19,185)**	(4,584)
TAXATION	7	**–**	–
LOSS BEFORE MINORITY INTERESTS		**(19,185)**	(4,584)
MINORITY INTERESTS		**72**	142
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	8, 25	**(19,113)**	(4,442)
LOSS PER SHARE			
Basic, HK cents	9	**(3.303)**	(0.842)
Diluted, HK cents	9	**N/A**	N/A

The accompanying notes form an integral part of these financial statements.

All of the Group's operations are classed as continuing.

Consolidated Balance Sheet

At 30th June 2003 (in HK Dollars)

	Notes	2003 HK$'000	2002 HK$'000
NON-CURRENT ASSETS			
Goodwill	14	–	–
Property, plant and equipment	15	853	2,069
Interests in an associate	17	–	–
Investments in securities	18	–	1,802
		853	3,871
CURRENT ASSETS			
Intangible assets	19	–	1,590
Product development costs	20	–	2,271
Deposits, prepayments and other receivables		292	1,518
Other investments	18	8,227	–
Trade receivables	21	14	3,478
Tax recoverable		286	–
Cash and bank balances		270	16,415
		9,089	25,272
CURRENT LIABILITIES			
Trade deposits received		215	–
Trade payables	22	69	23
Amount due to a director	23	860	–
Other payables and accrued expenses		668	1,835
		1,812	1,858
NET CURRENT ASSETS		7,277	23,414
TOTAL ASSETS LESS CURRENT LIABILITIES		8,130	27,285
MINORITY INTERESTS		–	72
NET ASSETS		8,130	27,213
CAPITAL AND RESERVES			
Share Capital	24	5,790	5,760
Reserves	25	2,340	21,453
		8,130	27,213

Approved by the board of Directors on 25th September 2003 and sign on its behalf by:

Koh Tat Lee, Michael
Director

Chu Siu Wai
Director

The accompanying notes form an integral part of these financial statements.

Balance Sheet

At 30th June 2003 (in HK Dollars)

	Notes	2003 HK$'000	2002 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2**	–
Investment in subsidiaries	16	**7,785**	7,785
		7,787	7,785
CURRENT ASSETS			
Amounts due from subsidiaries	16	**20,297**	22,591
Other investments	18	**352**	–
Deposits, prepayments and other receivables		**81**	–
Cash and bank balances		**182**	780
		20,912	23,371
CURRENT LIABILITIES			
Accrued expenses		**416**	100
Amount due to a director	23	**860**	–
		1,276	100
NET CURRENT ASSETS		**19,636**	23,271
NET ASSETS		**27,423**	31,056
CAPITAL AND RESERVES			
Share Capital	24	**5,790**	5,760
Reserves	25	**21,633**	25,296
		27,423	31,056

Approved by the board of Directors on 25th September 2003 and sign on its behalf by:

Koh Tat Lee, Michael
Director

Chu Siu Wai
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30th June 2003 (in HK Dollars)

	Note	**2003** ***HK$'000***	2002 *HK$'000*
Total equity at 1 July		**27,213**	8,029
Net loss for the year	*25*	**(19,113)**	(4,442)
Issue of shares		**30**	30,720
Share issue expenses		–	(7,094)
Total equity at 30th June		**8,130**	27,213

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30th June 2003 (in HK Dollars)

	2003 *HK$'000*	2002 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(19,185)**	(4,584)
Adjustments for:		
Interest income	**(42)**	(169)
Depreciation	**828**	691
Amortisation of		
– intangible assets	**1,590**	–
– product development costs	**2,271**	715
Unrealised holding gain on other investments	**(5,740)**	–
Gain on disposal of investment securities	**–**	(4,460)
Impairment of goodwill	**–**	4,449
Provision for doubtful debt	**79**	150
Impairment of current assets of overseas subsidiaries	**1,151**	–
Impairment of property, plant and equipment	**–**	230
Impairment of product development costs	**6,620**	–
Loss on disposals of property, plant and equipment	**508**	109
Operating loss before working capital changes	**(11,920)**	(2,869)
Increase in intangible assets	**–**	(1,590)
Increase in product development costs	**(6,620)**	(2,986)
Decrease/(increase) in trade receivables	**3,297**	(858)
Decrease/(increase) in prepayments, deposits and other receivables	**163**	(615)
Increase in trade payables	**46**	23
(Decrease)/increase in other payables and accrued expenses	**(1,167)**	1,693
Decrease in amount due to a related company	**–**	(367)
Increase in amount due to a director	**860**	–
Increase in trade deposits received	**215**	–
Cash consumed from operations	**(15,126)**	(7,569)
Interest and bank charges paid	**–**	–
Hong Kong profits tax paid	**(286)**	–
Net cash outflow from operating activities	**(15,412)**	(7,569)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**42**	169
Purchases of property, plant and equipment	**(296)**	(1,602)
Sales proceeds on disposals of property, plant and equipment	**176**	86
Acquisition of a subsidiary	**–**	(4,921)
Acquisition of other investments	**(685)**	–
Net proceeds on disposal of investment securities	**–**	5,558
Net cash outflow from investing activities	**(763)**	(710)

Consolidated Cash Flow Statement (Continued)

For the year ended 30th June 2003 (in HK Dollars)

	Note	**2003**	2002
		HK$'000	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon listing		**–**	30,720
Proceeds from issue of share capital upon exercise of share options	*24*	**30**	–
Share issue expenses		**–**	(7,094)
Net cash inflow from financing activities		**30**	23,626
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(16,145)**	15,347
Cash and cash equivalents at beginning of year		**16,415**	1,068
CASH AND CASH EQUIVALENTS AT END OF YEAR		**270**	16,415
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**270**	16,415

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements

30th June 2003 (in HK Dollars)

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 30th July 2001 under the Companies Law (2001 Revision) of the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 16 to the financial statements.

2. 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.

Notes to Financial Statements

30th June 2003 (in HK Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable SSAPs and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30th June 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The consolidated income statement did not include the Group's share of the post-acquisition results of its associate for the year as the associate has not carried out any business since its acquisition. In the consolidated balance sheet, investment in an associate is stated at cost plus the premium paid on acquisition in so far as it has not already been written off/amortised/released to income, less any identified impairment loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment in securities

Security is a bond or share or other negotiable instrument evidencing debts or ownership which is distinguished between equity and debt securities, is classified as held-to-maturity securities, investment securities and other investments.

Investments in other than held-to-maturity debt securities are accounted for using the benchmark treatment. Long-term investment securities are stated at cost less any provision for impairment losses. Investments in other than held-to-maturity debt securities and long-term investment securities are accounted for as other investments and are stated at fair values with unrealised gains or losses included in the income statement.

The transfer of a security between categories of investments are accounted for at fair value. At the date of the transfer, the security's unrealised holding gain or loss for a security transferred into the other investment category are recognised in net profit or loss immediately.

(f) Property, plant and equipment

i. Valuation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

ii. Depreciation

Depreciation is provided on the straight-line basis to write off the cost of each asset over its estimated useful life, and after taking into account their estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold improvements	:	20% or over the lease term, if shorter
Office equipment	:	20% – 25%
Furniture and fixtures	:	20%
Computer hardware and software	:	20% – 33%
Motor vehicles	:	25%

iii. Disposition

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the relevant asset and are recognised in the income statement on the date of retirement or disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Goodwill

Goodwill, which represents the excess of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries, associates and jointly controlled entities acquired at the date of acquisition, is stated at cost less accumulated amortisation and impairment loss. Goodwill is amortised by equal annual instalment over its estimated useful economic life of 20 years. Negative goodwill is credited directly to reserves.

Unamortised goodwill is charged to the income statement upon disposal of the relevant subsidiaries, associate and jointly controlled entity.

(h) Intangible assets

Intangible assets, representing membership database acquired, are stated at cost less accumulated amortisation and impairment loss. Amortisation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Membership database : 1 year

Intangible assets are reviewed periodically for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is determined based on estimated discounted future cash flows of the cash-generating unit at the lowest level to which the asset belongs. The recoverable amount is the higher of value in use and net selling price.

(i) Research and development costs

Expenditure on research and development is charged as an expense in the year in which it is incurred except where a clearly defined project is undertaken and it is reasonably anticipated the development costs will be recovered through future commercial activity. Each research and development costs are deferred and amortised over the period in which the related benefits are expected to be realised.

The product development costs represent internet-based applications acquired from third parties. Amortisation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Internet-based applications : 1 year

Research and development costs is reviewed annually to determine the amount, if any, that is no longer recoverable and any such amount is written off to the income statement in the year of determination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(k) Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

(l) Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(m)Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i. Revenues from IT project, Internet-based applications and web page design and development are recognised when the services are rendered;

ii. Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

iii. Revenues from services is recognised when the services are rendered;

iv. Banner design and advertisement income is recognised on a time-proportion basis over the period that the related services are rendered;

v. Membership income is recognised when the rights to receive payment have been established; and

vi. Interest income is recognised on a time-apportioned basis taking into account the principal outstanding and the effective interest rates applicable;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.

(o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

(p) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(q) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. All gains and losses on translation of foreign currencies are dealt with in the income statement.

On consolidation, the balance sheet items of overseas subsidiaries, and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date whilst the income and expense items are translated at the average rates for that period. The resulting translation differences are dealt with in the exchange reserve.

(r) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Impairment of assets *(Continued)*

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

(s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(u) Related party transactions

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits

i. Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the income statement as incurred.

iii. When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

iv. Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

Notes to Financial Statements

30th June 2003 (in HK Dollars)

4. TURNOVER AND REVENUE

	2003	2002
	HK$'000	*HK$'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 holding gain on other investments	**5,740**	–
Gain on disposal of investment securities	**–**	4,460
	5,979	4,933
Total revenue	**7,537**	11,679

5. SEGMENT INFORMATION

Business segments

The Group is principally engaged in the business as a system solution provider. As per note 4 to the financial statements, 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	2002
	HK$'000	*HK$'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

Notes to Financial Statements

30th June 2003 (in HK Dollars)

5. SEGMENT INFORMATION *(Continued)*

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.

6. 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 cost	**6,620**	–
Impairment of property, plant and equipment	**–**	230

7. 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 (2002: Nil).

Taxation on overseas profits is charged at the rates of taxation prevailing in the countries in which the companies operate. No provision for overseas taxation has been made in the financial statements as the subsidiaries operating outside Hong Kong have no assessable profits for the year (2002: Nil).

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 (2002: Nil).

8. 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).

9. 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 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.

10. DIVIDENDS

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

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on GEM and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Fees	**113**	–
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,052**	875
Mandatory provident fund scheme contribution	**54**	59
	1,219	934

Included in the Directors' remuneration were fees of HK$113,000 (2002: Nil) paid to independent non-executive Directors during the year.

The executive and non-executive directors received individual emoluments for the year ended 30th June 2003 of approximately HK$388,000 (2002: HK$382,000), HK$257,000 (2002: HK$382,000), HK$157,000 (2002: HK$170,000), HK$57,000 (2002: Nil), HK$98,000 (2002: Nil), HK$150,000 (2002: Nil), HK$50,000 (2002: Nil), HK$50,000 (2002: Nil) and HK$12,000 (2002: Nil) respectively.

During the year, there were no bonuses paid or payable to the Directors (2002: Nil). No Director waived or agreed to waive any remuneration during the year (2002: Nil). In addition, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group as a compensation for loss of office (2002: Nil).

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included two (2002: two) Directors, detail of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining three (2002: three) non-director, highest paid individuals, which each fell within the nil to HK$1,000,000 band, are as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**637**	658
Mandatory provident fund scheme contribution	**41**	29
	678	687

During the year, there were no bonuses paid or payable to any of the five highest paid individuals of the Group (2002: Nil). No emoluments were paid by the Group to the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2002: Nil).

13. EMPLOYEE BENEFITS

(a) Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

Under the Central Provident Fund (the "CPF") of Singapore, the Group contributed 16% of staff's relevant income and the contribution is charged to the income statement.

13. EMPLOYEE BENEFITS *(Continued)*

(a) Retirement benefits scheme *(Continued)*

Under the MPF Scheme and CPF, there is no forfeited contribution which could be utilised to reduce the level of the contribution by the Group and therefore there was no such balance as at 30th June 2003.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong, Singapore and the PRC. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 30th June 2003 in respect of the retirement of its employees.

(b) Equity compensation benefits

Pre-IPO share option scheme

Pursuant to the pre-IPO share option scheme adopted by the Company on 14th December 2001 ("Pre-IPO Share Option Scheme") for the purpose of recognition of the contribution of certain Directors and employees of the Group to the growth of the Group and/or to the listing of the Shares on GEM. 2 Executive Directors, a director of a subsidiary in Singapore and 15 full time employees of the Group are granted options to subscribe 57,600,000 Shares (representing 10% of the issued share capital of the Company as at the date on which dealings in the Shares commenced on GEM) at the normal value of the shares.

The options granted under the Pre-IPO Share Option Scheme have a duration of 10 years from the date on which dealings in the Share commenced on GEM, but each shall lapse in accordance with the terms of the Pre-IPO Share Option Scheme. Pursuant to the options granted under the Pre-IPO Share Option Scheme, the subscription price for Shares is the nominal value of a Share. There is no maximum entitlement of each grantee in relation to the total number of Shares issuable to him upon the exercise of options granted under the Pre-IPO Share Option Scheme.

Pursuant to the terms of the Pre-IPO Share Option Scheme, in respect of options granted to the two Executive Directors, they will be entitled to exercise (i) two-third of the options granted to them (rounded down to the nearest whole number) after the expiry of 12 months from the date on which dealings in the Shares commenced on GEM; and (ii) the remaining options after the expiry of 18 months after the date on which dealings in the Shares commenced on GEM.

Pursuant to the terms of the Pre-IPO Share Option Scheme, in respect of options granted to grantees other than the two Executive Directors, they will be entitled to exercise (i) one-third of the options granted to them (rounded down to the nearest whole number) after the expiry of 6 months from the date on which dealings in the Shares commenced on GEM; (ii) one-third of the options granted to them (rounded down to the nearest whole number) after the expiry of 12 months from the date on which dealings in the Shares commenced on GEM and (ii) the remaining options after the expiry of 18 months after the date on which dealings in the Shares commenced on GEM.

Each option gives the holder the right to subscribe for one Share.

13. EMPLOYEE BENEFITS *(Continued)*

(b) Equity compensation benefits *(Continued)*

Pre-IPO share option scheme (Continued)

Movements in the share options during the year are as follows:

	2003	2002
	Number	*Number*
Option outstanding at 31 July	**56,970,000**	–
Issued	**–**	57,600,000
Exercised	**(3,008,000)**	–
Cancelled/Lapsed	**(53,962,000)**	(630,000)
	–	56,970,000

During the year ended 30th June 2003, 9 grantees, including 8 employees and one employee who was appointed as the Director on 31st January 2003 and resigned on 13th May 2003, had exercised a total of 3,008,000 share options granted to them under the Pre-IPO Share Option Scheme.

Save as disclosed above, none of the Directors and employees of the Group had exercised any of their share options during the year ended 30th June 2003.

No further option had been granted under the Pre-IPO Share Option Scheme up to the date of the approval of these financial statements.

No options granted under the Pre-IPO Share Option Scheme were outstanding up to the date of the approval of these financial statements.

Share Option Scheme

Pursuant to the share option scheme adopted by the Company, on 14th December 2001 ("Share Option Scheme"), the Directors may at their discretion grant options to employees (whether in full-time or part-time employment) and Directors (whether executive, non-executive or independent non-executive) of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. The purpose of the Share Option Scheme is to provide incentive and to recognise the contribution of the employees.

The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company as at the date of this annual report. The number of Shares in respect of which options may be granted to any individual in any 12-month period up to the date of the grant is not permitted to exceed 1% of the issued share capital of the Company as at the date of the grant, unless approved by the shareholders of the Company in accordance with the Share Option Scheme.

13. EMPLOYEE BENEFITS *(Continued)*

(b) Equity compensation benefits *(Continued)*

Share Option Scheme (Continued)

Options may be exercised at any time from the date of the grant of the options to the date of expiry of the option as may be determined by the Directors which shall not exceed ten years from the date of the grant. The exercise price of the options is determined by the Directors, save that such price shall not be less than the highest of (i) the closing price of the Shares on the date of the grant; (ii) the average of the closing price per Share on the GEM for the five business days immediately preceding the date of grant and (iii) the nominal value of the Shares. Upon acceptance of the offer, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

There is no general requirement on the minimum period for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the board of Directors may make such grant subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the board of Directors may determined at its absolute discretion.

Subject to earlier termination by shareholders' resolution in the general meeting, the Share Option Scheme shall be valid and effective for a period of ten years commencing from 14th December 2001.

No options were granted by the Company during the year and to the date of approval of these financial statements.

14. GOODWILL

	Group	
	2003	2002
	HK$'000	*HK$'000*
Cost		
At 1st July	**4,449**	–
Additions through acquisition of a subsidiary	**–**	4,449
At 30th June	**4,449**	4,449
Accumulated amortisation and impairment loss		
At 1st July	**4,449**	–
Impairment of goodwill	**–**	4,449
At 30th June	**4,449**	4,449
Carrying amount at 30th June	**–**	–

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Computer hardware and software *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At cost:						
At 1st July 2002	1,160	256	146	2,076	185	3,823
Additions	57	9	12	218	–	296
Disposals	(598)	(212)	(128)	(641)	(185)	(1,764)
At 30th June 2003	**619**	**53**	**30**	**1,653**	**–**	**2,355**
Depreciation and Impairment losses:						
At 1st July 2002	365	147	75	1,140	27	1,754
Charge for the year	164	39	21	562	42	828
Written back on disposal	(364)	(162)	(79)	(406)	(69)	(1,080)
At 30th June 2003	**165**	**24**	**17**	**1,296**	**–**	**1,502**
Net book value:						
At 30th June 2003	**454**	**29**	**13**	**357**	**–**	**853**
At 30th June 2002	795	109	71	936	158	2,069

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Office equipment HK$'000
At cost:	
Additions and at 30th June 2003	2
Depreciation:	
Charge for the year and at 30th June 2003	–
Net book value:	
At 30th June 2003	**2**
At 30th June 2002	–

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**7,785**	7,785
Due from subsidiaries	**20,297**	22,591
	28,082	30,376

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Company are as follows:

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Inworld International Limited	British Virgin Islands	Ordinary US$328	100%	–	Investment holding
Wai Shui Company Limited	British Virgin Islands	Ordinary US$2	100%	–	Investment holding
Inworld (Hong Kong) Limited	Hong Kong	Ordinary HK$3	–	100%	Provision of ASP and ICP services
Inworld System (HK) Limited	Hong Kong	Ordinary HK$3	–	100%	Provision of system solutions service
Inworld Technology (HK) Limited	Hong Kong	Ordinary HK$2	–	100%	Provision of system solutions service
Inworld Internet Singapore Pte. Ltd	Singapore	Ordinary SGD101	–	100%	Provision of system solutions, ASP and ISP services
Sunny World Company Limited	Macau	Ordinary MOP25,000	–	72%	Operation of cyber cafe and provision of online reservation services
活力世界(上海)網絡技術有限公司*	The People's Republic of China	Registered capital US$200,000	–	100%	Development and sale of internet application solution services

* 活力世界(上海)網絡技術有限公司 was formed as a wholly-owned foreign enterprise in the People's Republic of China.

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

17. INTERESTS IN AN ASSOCIATE

	Group	
	2003	2002
	HK$'000	*HK$'000*
Investment, at cost		
Unlisted shares	**4**	4
Impairment loss		
At 1st July	**4**	–
Provision for the year	**–**	4
At 30th June	**4**	4
Carrying amount at 30th June	**–**	–

Particulars of the associate are as follows:

Name of company	Business structure	Place of establishment/ registration and operation	Percentage of equity interest attributable to the Group	Class of shares	Principal activities
Styland Datareach Computer Technology Limited	Corporate	Hong Kong	40%	Ordinary	Inactive

The associate was acquired on 25th August 2000. Since its acquisition, the associate has not carried out any business. In the opinion of the directors of the Company, the associate has no value to the Group. The associate applied for deregistration in May 2002.

Notes to Financial Statements

30th June 2003 (in HK Dollars)

18. INVESTMENTS IN SECURITIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Non-current assets		
Investments securities, at cost:		
Listed in Hong Kong	–	1,802
Market value	–	17,487

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current assets				
Other investments:				
Listed in Hong Kong	**8,227**	–	**352**	–

At 30th June 2003, the carrying amount of other investments in equity securities exceeds 10% of the total assets of the Group is as follow:

Name of equity security	Country of Incorporation	Class of shares	Number of shares held	Percentage of equity interest
Rainbow International Holdings Limited	The Cayman Islands	Ordinary	104,999,999	4.29%

Note:

Investment securities were equity securities listed on the Stock Exchange of Hong Kong Limited. During the year, the Directors reclassified the investment in Rainbow International Holdings Limited from investment securities to other investments. The unrealised holding gain from reclassification of the investment securities into other investments were approximately HK$5,740,000 (2002: Nil).

Notes to Financial Statements

30th June 2003 (in HK Dollars)

19. INTANGIBLE ASSETS

	Membership database
	HK$'000
At cost:	
At 1st July 2002	1,590
Additions	–
At 30th June 2003	**1,590**
Amortisation:	
At 1st July 2002	–
Charge for the year	1,590
At 30th June 2003	**1,590**
Carrying value:	
At 30th June 2003	**–**
At 30th June 2002	1,590

20. PRODUCT DEVELOPMENT COSTS

Group

	Ticketing system HK$'000	Intranet system HK$'000	Human resources and administration system HK$'000	Hotel reservation system HK$'000	MAP Technologies software HK$'000	Action Networking services HK$'000	3S platform HK$'000	Web cache HK$'000	Total HK$'000
At Cost:									
At 1st July 2002	450	140	1,116	1,280	–	–	–	–	2,986
Additions	–	–	–	–	710	1,610	1,200	3,100	6,620
At 30th June 2003	**450**	**140**	**1,116**	**1,280**	**710**	**1,610**	**1,200**	**3,100**	**9,606**
Amortisation and impairment losses:									
At 1st July 2002	188	35	279	213	–	–	–	–	715
Charge for the year	262	105	837	1,067	–	–	–	–	2,271
Impairment loss	–	–	–	–	710	1,610	1,200	3,100	6,620
At 30th June 2003	**450**	**140**	**1,116**	**1,280**	**710**	**1,610**	**1,200**	**3,100**	**9,606**
Carrying amount:									
At 30th June 2003	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 30th June 2002	262	105	837	1,067	–	–	–	–	2,271

Notes to Financial Statements

30th June 2003 (in HK Dollars)

21. TRADE RECEIVABLES

An ageing analysis of trade receivables (net of provisions for bad and doubtful debts) at the balance sheet date is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
0 – 30 days	**10**	1,517
31 – 60 days	**–**	1,361
61 – 90 days	**4**	–
Over 90 days	**–**	600
	14	3,478

Customers are usually offered a credit period ranging from 7 days to 90 days.

22. TRADE PAYABLES

An ageing analysis of trade payables at the balance sheet date is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
0 – 30 days	**18**	23
31 – 60 days	**5**	–
61 – 90 days	**2**	–
Over 90 days	**44**	–
	69	23

23. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest-free and had no fixed term of repayment.

24. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Authorised (ordinary shares of HK$0.01 each):			
Upon incorporation of the Company and subdivision of shares	*(a), (b)*	35,000,000	350
Increase of authorised share capital	*(d)*	1,465,000,000	14,650
At 30th June 2002 and 1st July 2002		1,500,000,000	15,000
At 30th June 2003		**1,500,000,000**	**15,000**
Issued and fully paid (ordinary shares of HK$0.01 each):			
Issued upon incorporation of the Company and subdivision of shares	*(a), (b)*	100	–
Shares issued as consideration for acquisition of subsidiaries	*(c)*	39,900	1
Capitalisation issue	*(e)*	479,960,000	4,799
Issue of shares upon listing	*(f)*	96,000,000	960
At 30th June 2002 and 1st July 2002		576,000,000	5,760
Shares issued upon exercise of share options	*(g)*	3,008,000	30
At 30th June 2003		**579,008,000**	**5,790**

(a) On incorporation, the authorised share capital of the Company was HK$350,000 divided into 350,000 shares of HK$1 each. One share of HK$1 was issued and allotted, credited as fully paid, to the subscriber of the Company.

(b) On 20th September 2001, the share capital of the Company was subdivided into 100 issued shares and 34,999,900 unissued shares of HK$0.01 each.

(c) On 24th September 2001, pursuant to the Reorganisation, the Company allotted and issued, credited as fully paid in consideration of and in exchange for the acquisition of the entire issued share capital of Inworld International Limited.

(d) Pursuant to a written resolution of all the shareholders of the Company passed on 12th December 2001, the authorised share capital of the Company was increased from HK$350,000 to HK$15,000,000 by the creation of additional 1,465,000,000 shares. Such new shares were rank pari passu in all respects with the existing shares.

24. SHARE CAPITAL *(Continued)*

(e) Pursuant to written resolution of all the shareholders of the Company passed on 13th December 2001, the Directors were authorised to capitalise the sum of HK$4,799,600 standing to the credit of the contributed surplus account of the Company by applying such sum in paying up in full at par a total number of 479,960,000 shares for allotment and issue to holders of shares whose names appeared on the register of members of the Company as at the close of business on 13th December 2001 in proportion (as nearly as possible without involving fractions) to their then respective shareholdings in the Company.

(f) On 27th December 2001, the share offer became unconditional and 96,000,000 shares were issued at HK$0.32 each by way of placing and public offer.

(g) During the year ended 30th June 2003, 9 grantees, including 8 employees and one employee who was appointed as the Director on 31st January 2003 but resigned on 13th May 2003, have exercised a total of 3,008,000 share options granted to them under the Pre-IPO Share Option Scheme at the subscription price of HK$0.01, resulting in the issue of 3,008,000 share of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$30,000.

Share option scheme

The Company has two share option schemes, further details of which are set out under the heading ‘Equity compensation benefits’ in note 13 to the financial statements.

25. RESERVES

Group

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 reorganisation	(12,195)	12,195	–	–
Capitalisation issue	–	(4,799)	–	(4,799)
Net loss for the year	–	–	(4,442)	(4,442)
At 30th June 2002 and 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**

25. RESERVES *(Continued)*

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 and 1st July 2002	22,666	2,985	(355)	25,296
Net loss for the year	–	–	(3,663)	(3,663)
At 30th June 2003	**22,666**	**2,985**	**(4,018)**	**21,633**

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited set out in the Company's prospectus dated 18th December 2001, over the nominal value of the shares of the Company issued in exchange thereof.

(b) The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the shares of the Company issued in exchange thereof.

(c) Under the Companies Law (2001 Second Revision) of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At 30th June 2003, in the opinion of the Directors, the Company did not have reserves available for cash distribution and / or distribution in specie in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands (2002: Nil).

26. RELATED PARTY TRANSACTION

During the year, the Group had entered into transactions with related parties which, in the opinion of the Directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Name of the related party	Relationship	Nature of transactions	*Notes*	2003 *HK$'000*	2002 *HK$'000*
Styland (Hong Kong) Limited	Substantial shareholder	Management fee – paid	*(i), (ii)*	**12**	144
		Rent and rates – paid		**26**	312
Styland Enterprises Limited	Company controlled by substantial shareholder	Expo Promotion service income – received	*(ii)*	**69**	–
Ever Long Investments Holdings Limited	Company controlled by substantial shareholder	Web page design and development service income – received	*(iii)*	**5**	–
		Expo Promotion service income – received		**123**	–
Ever Long Securities Company Limited	Company controlled by substantial shareholder	IT project infrastructure service income – received	*(iii)*	**3**	–
Kalomex (International) Limited	Company controlled by substantial shareholder	IT project infrastructure service income – received	*(iii)*	**7**	–
Mr. Koh Tat Lee, Michael	Executive Director	Advance – payable	23	**860**	–

Notes:

(i) Management fee is paid for rental, share of office equipment and office expenditure. The rental charge is based on the share of the office area physically occupied by the Group on the sub-lease portion at rental rate paid by the head-tenant. Office equipment is based on the share of depreciation by reference to actual consumption. The office expenditure is charged on the share of the expenses on cost basis. The monthly charge is HK$38,000.

(ii) Styland Holdings Limited is a major shareholder of the Company and also holds 100% interest of Styland (Hong Kong) Limited and Styland Enterprises Limited.

(iii) Styland Holdings Limited also holds indirectly 100% interest of Ever Long Securities Company Limited, Ever Long Investments Holdings Limited and Kalomex (International) Limited.

27. OPERATING LEASE ARRANGEMENTS

The Group leases office properties under operating arrangement which is negotiated for terms of one to four years.

At 30th June 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follow:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**377**	1,174
In the second to fifth years, inclusive	**232**	1,000
	609	2,174

28. CAPITAL COMMITMENTS

At 30th June 2003, the Group had the following commitments which were not provided for in the consolidated balance sheet:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Contracted but not provided for in respect of acquisition of property, plant and equipment	**–**	1,200

29. SUBSEQUENT EVENTS

Acquisition of subsidiaries

On 15th July 2003, the directors announced that Wah Shui Company Limited ("Wah Shui"), a wholly owned subsidiaries of the Company, entered into a conditional share transfer agreement dated 25th June 2003 and the supplemental agreement dated 15th July 2003 (the "Share Transfer Agreement") entered into between Shenzhen Ingen Technology Company Limited ("Ingen"), Huang Shu-ying and Chen Hong (collectively referred as to the "Vendors"). Pursuant to and subject to the terms and conditions thereof, Wah Shui has agreed to acquire an aggregate of 95% of the equity interests in Shenzhen Huaruiyuan Company Limited ("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 principally engaged in the design, development and sale of tax-declaring computer software and the integration of tax-declaring computer system and network in the PRC.

29. SUBSEQUENT EVENTS *(Continued)*

Acquisition of subsidiaries *(Continued)*

The aggregate consideration payable by Wah Shui pursuant to the Share Transfer Agreement is HK$22,800,000 ("Consideration"), 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 263,600,000 new Shares to Ingen, at an issue price of HK$0.044 per share.

The acquisition was completed on 23rd September 2003.

Placing of 400,000,000 new Shares of the Company ("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 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 new Shares ("placing shares") to the placees at the placing price of HK$0.04 per placing shares ("placing price").

The net proceeds of the Placing of approximately HK$15,300,000 will be applied as to HK$11,201,600 to settle the cash consideration in respect of the acquisition of Huaruiyuan, as to approximately HK$1,200,000 for the purchase of facilities and equipments used for the development of the tax-declaring computer software and technology, computer system and computer network and as to the remaining balance of approximately HK$2,898,400 as the general working capital of the Group.

Details of the acquisition of Huaruiyuan and Placing were set out in the circular of the Company dated 5th August 2003.

Change of year end date

The Directors would like to change the year end date of the Company from 30th June to 31st December. The alternation of the year end date will be put on the agenda in the Annual General Meeting of the Company which will be held at Macau Jockey Club Golden Restaurant, First Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 29th October 2003 at 10:30 a.m..

30. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 25th September 2003.

Summary of Financial Information

The following is a summary of the published results and of the assets and liabilities of the Group for the four years ended 30th June 2003 prepared on the basis set out in the note below.

Results

	Year ended 30th June			
	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**1,558**	6,746	6,498	209
(Loss)/profit from operations	**(19,185)**	(4,584)	83	(4,210)
Finance costs	**–**	–	(32)	(6)
(Loss)/profit before taxation	**(19,185)**	(4,584)	51	(4,216)
Taxation	**–**	–	–	–
(Loss)/profit before minority interests	**(19,185)**	(4,584)	51	(4,216)
Minority interests	**72**	142	–	–
Net (loss)/profit from ordinary activities attributable to shareholders	**(19,113)**	(4,442)	51	(4,216)

Assets and Liabilities

	As at 30th June			
	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**9,942**	29,143	8,485	1,877
Total liabilities	**(1,812)**	(1,858)	(456)	(6,093)
Minority interests	**–**	(72)	–	–
Shareholders' funds	**8,130**	27,213	8,029	(4,216)

Note: The summary of the published combined results of the Group for the two years ended 30th June 2001 and 2000 of the assets and liabilities of the Group as at 30th June 2000 and 2001 have been extracted from the Company's prospectus dated 18th December 2001. This summary was prepared from the audited financial statements of the companies now comprising the Group, as if the current structure of the Group had been in existence throughout these financial years. The results of the Group for the two years ended 30th June 2003 and 2002, its assets and liabilities as at 30th June 2003 and 2002 are set out in the financial statements on pages 24 and 25 respectively.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Inworld Group Limited (the "Company") will be held at Macau Jockey Club Golden Restaurant, First Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 29th October 2003 at 10:30 a.m. for the following purpose of considering and, if thought fit, passing the following resolution as ordinary resolutions of the Company:

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and auditors for the year ended 30th June 2003;

2. To re-elect the retiring Directors of the Company and to authorise the board of Directors to fix their remuneration;

3. To re-appoint Messrs. HLB Hodgson Impey Cheng as the auditors of the Company and to authorise the board of Directors to fix their remuneration;

4. By way of special business, to consider and, if thought fit, pass with or without alternations, the following resolution ("Resolutions") as ordinary resolutions:

(1) **THAT**: the accounting year end date of the Company be changed from 30th June to 31st December;

(2) **THAT**:

(a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Growth Enterprises Market of the Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company, securities convertible into such shares in the capital of the Company or securities convertible into such shares options, warrants or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Right Issue, or (ii) the grant or exercise of any option under the share option schemes of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of the subsidiaries of shares or rights to acquire Shares; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the memorandum and articles of association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:

(i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this Resolution; and

(ii) (if the Directors are so authorized by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution)

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly;

(d) for the purposes of this Resolution:–

"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, the Companies Law (2001 Second Revision) of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

"Right Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expenses or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements or, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange, in any territory outside Hong Kong).

(3) **THAT**:

(a) the exercise of the Directors during the Relevant Period of all powers of the Company to purchase its shares on The Growth Enterprises Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, The Stock Exchange of Hong Kong Limited, the memorandum and articles of association of the Company, the Companies Law (2001 Second Revision) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be purchased by the Company Pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

Notice of Annual General Meeting

(c) for the purpose of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, the Companies Law (2001 Second Revision) of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

(4) **THAT** the Directors of the Company be and they are hereby authorized to exercise the authority referred to in paragraph (a) of Resolution no. 4(2) above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such Resolution.

By Order of the Board
Inworld Group Limited
Leung Dennis
Company Secretary

Hong Kong, 25th September 2003

Head office and principal place of business:
3rd Floor Chinese Club Building
21-22 Connaught Road Central
Hong Kong

Register office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Notes:

1. A shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint a person or persons (if he holds two or more Shares) as his proxy or proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

2. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Branch Registrar in Hong Kong, Tengis Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight hours before the time fixed for holding of the meeting and adjourned meeting and in default thereof the form of proxy shall not be treated as valid. No instrument appointing shall be valid after the expiry of 12 months from the date of its execution.

3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting if the shareholder so desires and in such event the instrument appointing a proxy shall be deemed to be revoked.