



INWORLD GROUP LIMITED
活力世界控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8100)

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

* For identification purpose only

HIGHLIGHTS

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

QUARTERLY RESULTS (UNAUDITED)

The directors (the "Directors") of Inworld Group Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2004 together with comparative figures for the three months ended 30 September 2003 as follows:

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

Notes:

1. Basis of presentation

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

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

2. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group had no assessable profits in Hong Kong for the three months ended 31 March 2004 (2003: Nil).

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

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

3. Loss per share

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

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

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

4. Reserves

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

5. Change of year end date

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

FINANCIAL REVIEW

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

Operating expenses

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

Loss for the period

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2004 (2003: nil).

BUSINESS REVIEW

The Group's overall business objective is to become a leading system solutions provider and IT consultant targeting at the SMEs in the Asian Region with a primary focus in Hong Kong, the PRC and Singapore. The Group continues to pursue its overall objective in the current quarter ended 31 March 2004.

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

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

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

Prospects

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

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

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

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

By order of the Board
Koh Tat Lee, Michael
Director

Hong Kong, 11 May 2004

As at the date hereof, the members of the Board of the company comprise Mr. Koh Tat Lee, Michael, chairman, an executive director and authorized representative; Mr. Wong Shui Fun, an executive director; Mr. Ng Yat Cheung, a non-executive director and member of the audit committee; Mr. Leung Chun Cheng, an independent non-executive director, a member and chairman of the audit committee; and Mr. Cheong Mun Hong, an independent non-executive director and a member of the audit committee.

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