



**INWORLD GROUP LIMITED**  
**活力世界控股有限公司\***

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

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**QUARTERLY RESULTS FOR THE THREE MONTHS ENDED**  
**30 SEPTEMBER 2003**

**HIGHLIGHTS**

- Unaudited consolidated loss decreased by approximately 41% for the three months ended 30 September 2003 as compared to the corresponding period in 2002.
- The Directors do not recommend an interim dividend for the three months ended 30 September 2003.

**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 30 September 2003 together with comparative figures for the corresponding period in 2002 as follows:

		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2003</b>	2002
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>619</b>	1,293
Cost of services rendered		<b>(211)</b>	(1,199)
Gross profit		<b>408</b>	94
Other revenues		–	111
Distribution costs		<b>(151)</b>	(749)
Administrative expenses		<b>(1,757)</b>	(2,057)
Depreciation		<b>(121)</b>	(233)
Loss before taxation		<b>(1,621)</b>	(2,834)
Taxation	3	–	–
Loss after taxation		<b>(1,621)</b>	(2,834)
Minority interest		<b>11</b>	97
Net loss attributable to shareholders		<b><u>(1,610)</u></b>	<b><u>(2,737)</u></b>
Loss per share			
– Basic (cents)	4	<b><u>(0.25)</u></b>	<b><u>(0.47)</u></b>
– Diluted (cents)	4	<b><u>N/A</u></b>	<b><u>N/A</u></b>

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*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 year ended 30 June 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 30 September 2003 (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 accounts as the subsidiaries operating outside Hong Kong have no assessable profits for the period ended 30 September 2003 (2002: Nil).

No provision for deferred taxation has been made as the Group have no material potential liabilities arising on timing difference at 30 September 2003 (2002: Nil).

## **3. Loss per share**

The calculation of the Group’s basic loss per share for the three months ended 30 September 2003 is based on the Group’s loss attributable to shareholders of approximately HK\$1,610,000 (2002: approximately HK\$2,737,000) and the weighted average number of approximately 636,712,348 shares of the Company for the three months ended 30 September 2003 (2002: 578,306,870 shares).

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

#### 4. Reserves

	<b>Share Premium</b> <i>HK\$'000</i>	<b>Contributed surplus</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 July 2002	22,666	7,396	(8,609)	21,453
Loss for the period	—	—	(2,737)	(2,737)
	<u>22,666</u>	<u>7,396</u>	<u>(11,346)</u>	<u>18,716</u>
At 30 September 2002	<u>22,666</u>	<u>7,396</u>	<u>(11,346)</u>	<u>18,716</u>
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>

#### FINANCIAL REVIEW

The turnover of the Group was approximately HK\$619,000 for the three months ended 30 September 2003 (2002: HK\$1,293,000). This represented a decline of 52% from the corresponding period in 2002 due to setbacks experienced by the Group regarding the unfortunate saga of Severe Acute Respiratory Syndrome (“SARS”) in the first half of 2003 and the consequential slowdown of business activities in various countries that the Group operated in. However, comparing with the negative turnover in the three months ended 30 June 2003, the Group had recorded a positive growth in business again.

#### Operating expenses

The operating expenses of the Group had been kept under tight control by management. Total operating expenses decreased by approximately HK\$1,010,000. Distribution costs dropped by 80% while administrative expenses decreased by 14%.

## **Loss for the period**

The consolidated loss of the Group for the three months ended 30 September 2003 was approximately HK\$1,610,000 (2002: loss of HK\$2,737,000). The improvement in operating results resulted from the broaden revenue base and the cutback of operating expenses. Pursuant to the Group's acquisition of Shenzhen Huaruiyuan Company Limited ("Huaruiyuan"), the Group strengthened its operating base in the PRC. A positive growth of revenue was recorded from the Huaruiyuan operation.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the three months ended 30 September 2003 (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 continue to pursue its overall objective in the current quarter ended 30 September 2003.

However, the progress of the Group's objective was materially slowed down by the SARS saga which hit heavily at the Group's various operating centres in Hong Kong, Singapore and the PRC in the first half of 2003. Management of the Group consolidated its operating basis during the SARS saga and provided a strong base for the rebound of business in the current quarter.

On 23 September 2003, Wah Shui Company Limited, a wholly-owned subsidiary of the Company, completed its purchase of 95% of the equity interests in 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.

## **Prospects**

Due to the high level of technical sophistication involved in the tax-declaring system market, license need to be obtained from the PRC government in order to enter the tax-declaring products and the embedded computer systems market. Thus, there is an entry barrier in the tax-declaring system market in the PRC. The Directors anticipated that the economic climate in the PRC would maintain its present upward trend. As the PRC government moves to tighten up the tax monitoring system to combat tax avoidance, the Directors expected that the demand for tax-declaring computer technology and system would increase substantially in the coming few years.

The Directors considered that the acquisition of Huaruiyuan offered the Group a good business opportunity for expanding the Group's presence in related business with a growth potential. The Group also intends to explore the overseas market for tax-declaring products, thus creating an extent of business synergy 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. The Group will continue broaden our services and business spectrums in order to enhance our profitability. The Group will continue to actively explore and identify investment and acquisition opportunities in related businesses with growth potential.

## **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 three months ended 30 September 2003.

By order of the Board  
**Koh Tat Lee, Michael**  
*Director*

Hong Kong, 14 November 2003

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.*