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## **Inworld Group Limited**

活力世界控股有限公司\*

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

### **DISCLOSEABLE TRANSACTION**

#### **PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES AND RESUMPTION OF TRADING**

On 16 February 2004, Dynamate, a substantial shareholder of the Company, has entered into the Placing and Underwriting Agreement for the placing of 150 million existing Shares in the capital of the Company at the Placing Price to independent investors.

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and allot and Dynamate has conditionally agreed to subscribe for 150 million new Shares at the Subscription Price.

The Placing Price and the Subscription Price both represent a discount of approximately 14.86% to the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on 12 February 2004, being the date immediately preceding the suspension of trading of the Shares on the Stock Exchange on 13 February 2004, and a premium of approximately 6.42% to the average closing price of HK\$0.0592 per Share as quoted on the Stock Exchange for the ten consecutive trading days ended on 12 February 2004.

Both the Placing Shares and the Subscription Shares represent approximately 12.07% of the existing entire issued share capital of the Company and approximately 10.77% of the entire issued share capital of the Company as enlarged by the Subscription.

The Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules as the aggregate consideration of the Subscription represents approximately 28.37% of the adjusted consolidated net tangible assets value of the Company of approximately HK\$33,308,400 at of 30 September 2003. A circular containing, among other things, further

information of the Subscription will be dispatched to the shareholders of the Company for their information as soon as practicable, and in any event within 21 days after publication of this announcement.

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 February 2004, pending the release of this announcement. The Company has applied for resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 17 February 2004. A further announcement in respect of the results of the Placing will be made by the Company in due course.

**(A) Placing and Underwriting Agreement dated 16 February 2004**

**Vendor:**

Dynamate, a substantial shareholder of the Company, which is interested in 370,163,200 Shares, representing approximately 29.79% of the total issued share capital of the Company, as at the date of this announcement.

**Number of Placing Shares:**

150 million existing Shares beneficially owned by Dynamate, representing approximately 12.07% of the existing issued share capital of the Company.

**Shares under the Placing:**

The Shares to be placed under the Placing will be sold free from all liens, charges and encumbrances and together with all rights attaching to them as at the date of the Placing and Underwriting Agreement, including the right to receive all dividends declared, made or paid on or after the date of the Placing and Underwriting Agreement.

**Placing agents:**

The Placing Agent is a third party independent from the directors, chief executive or substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules).

**Placees and their independence:**

The Placing Agent has agreed to act as the underwriter for Dynamate to place 150 million Shares to more than six independent investors on a fully underwritten basis.

The placees and their ultimate beneficial owners will be third parties independent from the directors, chief executive or substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules). It is expected that the placees will be (i) professional and institutional investors generally including brokers, dealers and companies (including fund managers), whose ordinary business involves dealing in securities and other investment tools; (ii) corporate entities which regularly invest in securities; and (iii) individual investors.

**Completion of the Placing:**

The Placing is unconditional. Completion of the Placing is currently expected to take place on or before 19 February 2004 or such other date as Dynamate and the Placing Agent may agree. A further announcement in respect of the results of the Placing will be made by the Company in due course.

**(B) Subscription Agreement dated 16 February 2004****Issuer:**

The Company

**Subscriber:**

Dynamate

**Number of Subscription Shares:**

150 million new Shares, representing approximately 12.07% of the existing issued share capital of the Company and approximately 10.77% of the enlarged issued share capital of the Company as a result of the Subscription.

**Conditions of the Subscription:**

The Subscription is conditional upon:

- (i) completion of the Placing; and
- (ii) the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares.

**Completion of Subscription:**

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription will take place no later than 4:00 p.m. on the second business day immediately after the fulfilment of the conditions of the Subscription provided that the completion of the Subscription shall take place within 14 days commencing from the date of the Subscription Agreement (or at such other place or time as Dynamate and the Company may mutually agree). In the event that the conditions are not fulfilled within 14 days commencing from the date of the Subscription Agreement or such later date as permitted by the Stock Exchange and agreed by Dynamate and the Company, the obligations and liabilities of Dynamate and the Company under the Subscription shall be null and void and Dynamate and the Company shall be released from all rights and obligations pursuant to the Subscription.

**Mandate to issue new shares:**

The Subscription Shares will be issued under the general mandate granted to the Directors pursuant to the resolution passed at the annual general meeting of the shareholders of the Company held on 29 October 2003 which is sufficient for the issue of the Subscription Shares.

**Ranking:**

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with the existing issued Shares.

**(C) General**

**Placing Price and Subscription Price:**

The Placing Price and the Subscription Price of HK\$0.063 per Share represent a discount of approximately 14.86% to the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on 12 February 2004, being the date immediately preceding the suspension of trading of the Shares on the Stock Exchange on 13 February 2004, and a premium of approximately 6.42% to the average closing price of HK\$0.0592 per Share as quoted on the Stock Exchange for the ten consecutive trading days ended on 12 February 2004. The Placing Price and the Subscription Price were arrived at after arm's length negotiation between Dynamate and the Placing Agent and between Dynamate and the Company respectively. The Directors are of the view that the Placing Price and the Subscription Price are fair and reasonable.

**Costs and Expenses:**

Pursuant to the Placing and Underwriting Agreement, Dynamate shall pay the placing fee to the Placing Agent and the relevant stamp duty of all seller's Hong Kong stamp duty on the relevant sold notes and instruments of transfer, transferor's fees charged by Hong Kong Securities Clearing Company Limited in respect of CCASS transactions and all brokerage, SFC transaction levy (if any) and Stock Exchange trading fee (if any). All legal costs and expenses incurred by the Placing Agent are to be borne by Dynamate. However, Dynamate is entitled to be indemnified by the Company for such costs and expenses.

**Shareholding of Dynamate:**

At the date hereof, Dynamate holds 370,163,200 Shares, representing approximately 29.79% of the entire issued share capital of the Company. Immediately after completion of the Placing, the shareholding of Dynamate will be reduced to 220,163,200, representing approximately 17.72% of the existing issued share capital of the Company. Immediately after completion of the Subscription, the shareholding of Dynamate will return to 370,163,200 Shares, representing approximately 26.58% of the enlarged issued share capital of the Company.

**Effects on Shareholding Structure:**

To the best knowledge and belief of the Directors, the shareholding structure of the Company immediately before completion of the Placing and the Subscription, after completion of the

Placing but before completion of the Subscription, and after completion of both the Placing and the Subscription are as follows:

	Before Placing and Subscription		After Placing but before Subscription		After Placing and Subscription	
	<i>No. of shares held</i>	Approx. %	<i>No. of shares held</i>	Approx. %	<i>No. of shares held</i>	Approx. %
Dynamate (Note 1)	370,163,200	29.79%	220,163,200	17.72%	370,163,200	26.58%
Shenzhen Ingen Technology Company Limited	147,440,000	11.87%	147,440,000	11.87%	147,440,000	10.59%
City Lion Worldwide Limited (Note 2)	100,000,000	8.05%	100,000,000	8.05%	100,000,000	7.18%
Public shareholders of the Company	625,004,800	50.29%	775,004,800	62.36%	775,004,800	55.65%
Total:	1,242,608,000	100.00%	1,242,608,000	100.00%	1,392,608,000	100.00%

Notes:

1. These shares are held by Dynamate 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.
2. The entire issued share capital of City Lion Worldwide Limited (“City Lion”) 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 100,000,000 shares beneficially owned by City Lion Worldwide Limited.

The Company was informed by City Lion that City Lion had disposed of 20,000,000 shares of the Company at an average price of HK\$0.07 per share on 12 February 2004 over the market. Prior to the disposal, City Lion held 120,000,000 shares of the Company, representing approximately 9.66% of the Company’s share in issue. The percentage of City Lion’s shareholding in the Company decreased to 8.05% after the disposal.

### **Reasons for the Placing and the Subscription, previous use of proceeds and use of proceeds:**

The Directors consider that the Placing and the Subscription are in the interests of the Company and its shareholders as a whole and would enable the Group to further develop its business and broaden its shareholders base.

The Company has completed a placement of 400 million new shares on 23 September 2003, the net proceeds of which amounted to approximately HK\$15,300,000, of which HK\$11,201,600 was used for the September Acquisition. Save as the aforesaid, no fund raising exercise took place during the past 12 months.

The Directors have confirmed that the proceeds from its initial listing have been fully utilized in accordance with the business objectives set out in the Prospectus. The Directors have also confirmed that the remaining net proceeds from the September Acquisition have been used in accordance with the stated use of proceeds set out in the Circular. In addition, the Directors confirmed that the Company currently has sufficient funds to operate its business.

The net proceeds of the Subscription is estimated to be approximately HK\$7.75 million, out of which approximately HK\$4.2 million will be used for developing current business in information technology consultation and information technology infrastructure related services and potential future acquisitions. The Group has not identified any specific acquisition for the use of the proceeds of the Subscription at this stage. The remaining proceeds of approximately HK\$3.55 million will be used as follows:

- (i) approximately HK\$2.05 million will be used to fund the business activities for the period ending 30 June 2004 as disclosed in the paragraph headed “Schedule of Use of Proceed” on page 143 of the Prospectus; and
- (ii) approximately HK\$1.5 million will be used as the Group’s general working capital.

### **Information on the Group:**

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

### **Discloseable transaction:**

The Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules as the aggregate consideration of the Subscription represents approximately 28.37% of the adjusted consolidated net tangible assets value of the Company of approximately HK\$33,308,400 at of 30 September 2003. A circular containing, among other things, further information of the Subscription will be dispatched to the shareholders of the Company for their information as soon as practicable, and in any event within 21 days after publication of this announcement.

### **Suspension and resumption of trading in the Shares:**

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 February 2004, pending the release of this announcement. The Company has applied for resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 17 February 2004.

### **Terms and Definitions:**

“August Circular”	the circular to the shareholders of the Company dated 5 August 2003
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Company”	Inworld Group Limited, an exempted company

	incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Director(s)”	director(s) of the Company
“Dynamate”	Dynamate Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Koh Tat Lee, Michael, the chairman and an executive director of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Placing Agent”	SBI E2-Capital Securities Limited, which is independent of and not connected with the Company, the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules)
“Placing and Underwriting Agreement”	the placing and underwriting agreement between Dynamate and the Placing Agent dated 16 February 2004 for the Placing
“Placing Price”	the placing price of HK\$0.063 per Placing Share
“Placing Shares”	150 million existing Shares beneficially owned by Dynamate and to be placed pursuant to the Placing and Underwriting Agreement
“Placing”	the placing of the Placing Shares beneficially owned by Dynamate pursuant to the Placing and Underwriting Agreement
“Prospectus”	the prospectus of the Company dated 18 December 2001
“September Acquisition”	the acquisition by Wah Shui Company Limited, a wholly owned subsidiary of the Company, of 95% of the equity interests in Shenzhen Huaruiyuan Company Limited disclosed in the August Circular
“SFC”	the Securities and Futures Commission of Hong Kong
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement between the Company and Dynamate dated 16 February 2004 for the Subscription
“Subscription Price”	the subscription price of HK\$0.063 per Subscription Share
“Subscription Shares”	150 million new Shares to be subscribed by Dynamate pursuant to the Subscription Agreement
“Subscription”	the subscription for the Subscription Shares at the Subscription Price
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the board of Directors  
**Inworld Group Limited**  
**Koh Tat Lee, Michael**  
*Chairman*

Hong Kong, 16 February 2004

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

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

*\* For identification purpose only*