

**Characteristics of the Growth Enterprise 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 the Main Board of the Stock Exchange 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 announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

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## CHAIRMAN'S STATEMENT



## TO OUR SHAREHOLDERS

I am glad to present the first annual report of ePRO Limited following its listing on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 August 2000.

Year 2000 is a landmark year for the company with a recorded 41% growth in revenue and 104% growth in profit. The company's relentless effort to sustain year-to-year profits while continually pursuing research and development in software

applications is finally beginning to bear fruit, and we maintain our leadership in information technology ("IT") in both Hong Kong and Mainland China.

On 2nd August 2000, the company was successfully listed in the Hong Kong GEM.

Over the past year, many people have jumped on the bandwagon of the Internet based operations; some came on with nothing but a few concepts, while others tried to transform existing business into a new economy model. We believe this phenomenon is just the first wave of e-commerce, similar to the first wave of computerization in Asia in the sixties.

The company was able to grasp the opportunity of e-commerce to further build our revenue and profit base, and we also strengthened our research and development infrastructure with confidence. We believe we are stronger than ever and are poised to capture the business growth opportunities as we move towards the e-commerce era. To do so, the company has been acquiring the necessary experience and technical skills of doing e-enabling projects so that we can offer total e-commerce solutions to our well-established customer clientele while providing professional IT contract service and computer equipment distribution. While these remain the company's stable source of income, we are also focusing on continued development of applications, namely, e-Trading, e-Billing and e-Logistics, with the software center as the support to these initiatives.

The listing prospectus has an announcement of the four initiatives in detail. Nevertheless, I would like to take this opportunity to share with you the progress we made in these four areas.

**e-Trading**

2GoTrade.com Limited, the company 60% owned joint venture focusing on Internet-based equity/option trading on the AMS/3 platform of the Stock Exchange, has developed a most reliable, state-of-the-art application to become an Application Service Provider ("ASP") for the C-class brokerage houses in Hong Kong. The high-availability, load-balancing and highly-scalable

## CHAIRMAN'S STATEMENT

architecture is expected to be a most technically competent ASP under the AMS/3 environment. The application is now under alpha-test (internal test) and we plan to conduct extensive beta-test in various customer sites in the near future. The first wave of marketing campaigns has been launched, and a separate office has been set up in Wanchai, Hong Kong to better support our clients at the launching of AMS/3.

### **e-Billing**

Repeat business continued to be recorded in the year under review. The company has been successful in penetrating into more telecom operators, both mobile and fixed line. We have begun productization process of e-Billing solutions in our software center, which will set a higher barrier for the possible new entrants. We are therefore confident that the company will maintain its leadership in e-Billing market in the region.

### **e-Logistics**

We are developing a comprehensive e-logistics plan, which will be reviewed from time to time so that adjustments can be made to cope with the change of the market environment and technology. We have started the recruitment of development staff in Guangzhou and Shanghai. In addition the company has targeted two business strategic alliances.

### **Software Center**

While we are recruiting more staff for the Guangzhou software center, some staff have begun working in Nansha, Guangdong, on a trial basis to test the viability of setting up another software center. In the meantime, the company is finalizing a joint venture software center agreement with a renowned tertiary institute in Shanghai.

We are encouraged by China's accession to the World Trade Organisation, which adds steam to our business momentum. Our Hong Kong operations continue to grow as expected. For example, in August 2000, we concluded a one-off tender of HK\$28 million contract from the Health Department, with an additional HK\$39 million worth of maintenance contracts over the next 8 years.

With a set of well-planned strategies, a group of experienced managers, more than 280 dedicated professional and a well established organization structure, I am confident that the company will continue to grow profitably.

Lastly, I would like to extend my thanks to my fellow Directors and staff for their dedication and hard work, and to all of you, our shareholders, customers, vendors and business associates for your continued support.

**Kwong Chak Chung**

*Chairman*

Hong Kong, 27 September 2000

## BUSINESS REVIEW

### FINANCIAL REVIEW

During the year ended 30 June 2000, the Group achieved a turnover of approximately HK\$369,422,000 which represented an increment of 41% from the year before. Total value of contracts provided for clients in the People's Republic of China ("PRC") increased by 68% to approximately HK\$202,930,000 which outweighed the sales in Hong Kong. The distribution business also improved as a result of the economic recovery in the Asia Pacific region and the rising demand for computer and server equipment due to the year 2000 conversion and the establishment of ISP centres and networking companies.

The Group's profit from operating activities increased by 102% and reached HK\$18,845,000 while the net profit attributable to shareholders increased by 104% to HK\$8,594,000. The significant improvement in the current year is mainly due to the increase in turnover while the key operating expenses, mainly salaries and wages, were largely a period cost in nature.

### NEW FUNDING

Subsequent to 30 June 2000, as a result of the listing of the Company's shares on GEM and the share placement, the Company obtained net proceeds of approximately HK\$71 million. The Company currently intends to use these proceeds in the following areas:

1. Research and development of existing and new software products and solutions;
2. Establishment of software centres, cooperation with academic institutions and other related IT companies;
3. Marketing and promotion activities for new software products and solutions; and
4. Repayment of a third party loan.

For full details of such new funding and intended use of the net proceeds from the share placement, please refer to pages 73 of the Prospectus.

### OPERATION REVIEW

During the year ended 30 June 2000, the Group embarked on its business plan in various stages and directions as follows:

#### Research and development

Capitalizing on the internally developed radio frequency ("RF") based IT solutions and experience from the projects completed in the past years, the Group started to explore a standardised overall solution for the logistics and warehousing industry - the e-Logistics system.

In addition, the Group continued the development of its e-Billing system for the telecommunications industry and more basic interface modules were built.

## BUSINESS REVIEW

### Expansion, collaborations and joint ventures

In January 2000, the Group established a 60% owned company to provide its e-Trading ASP services in the future. The e-Trading solution for running the ASP application was substantially completed and demonstration copy was ready for despatch to potential clients.

### Deployment of human resources

More manpower was added throughout the year in particular in the research and development activities. New teams of technical engineers were recruited and engaged in various software projects in Guangzhou and Shanghai. At 30 June 2000, the Group had a total work force of 286 of which approximately 60% of them are technical staff.

A comparison of the business objectives and actual progress covering the period between 24 July 2000 and 31 December 2000 as stated in pages 68 to 71 of the Prospectus will appear in the Company's next quarterly report for the three months ended 30 September 2000.

## PROSPECTS

The Directors believe that with the proliferation of Internet web sites and growing number of Internet users, the trend for increasing e-commerce activities will continue. As commercial enterprises are expected to continue to invest more in the deployment of Internets and outsource of IT services, the Directors believe there will be a corresponding growth in demand for e-commerce enabling software products and related IT services in Hong Kong and the PRC in the future.

Anticipating that the PRC will join the WTO in 2001, the Directors believe there will be a strong growth in trading and transportation activities in Hong Kong and the PRC.

Being a transportation hub in the Asian region, the container port and airport in Hong Kong are one of the busiest in the world. As a result, the Directors believe an efficient logistics management to control the movement and storage of goods and materials will be particularly important. Capitalising on the Group's successful experience in the design and implementation of the ramp handling system and the radio data system for various customers in the past, the Directors believe that the Group is well ahead of its competitors in the development of RF-based logistics solutions and there will be a strong growth in demand for its e-Logistics system in Hong Kong and the PRC.

The Directors believe that the high penetration rate of mobile phones and keen competition among the telecommunications companies in Hong Kong will lead to a strong demand for more sophisticated e-CRM systems, part of the e-Billing system of the Group. In addition, the convergence of wireless communications and Internet technologies, such as WAP which allows direct Internet access through mobile devices, will bring about m-commerce activities.

m-commerce refers to mobile commerce, the transmission of business information and the transaction of commercial activities over wireless devices. The Directors believe that the emergence of m-commerce will impose more complicated requirements on the current customer billing systems which will need to be upgraded or replaced by more advanced billing systems. In anticipation that the PRC will join the WTO in 2001, the telecommunications companies in the PRC need to upgrade their customer services in preparation for increasing competition after WTO accession.

## BUSINESS REVIEW

To take advantage of the Group's experience in developing and supporting telecommunications operators' billing and customer care systems, the Group will continue to develop its proprietary billing and customer care software. The full-featured billing and customer care system with complete modules will be developed and marketed to mobile communications network operators in order to strengthen their competitiveness and to meet increasing needs for value-added services.

In the United States of America, Internet trading of securities is one of the e-commerce activities with growing popularity. The Directors believe that Hong Kong is a major international financial centre in Asia and Internet trading of securities will also be well received in Hong Kong. Leveraging on the experience in developing AMS/2 system for the Stock Exchange, the Group has developed the e-Trading system. The Directors expect that there will be a strong demand for Internet trading software at the time the Stock Exchange launches the AMS/3 by the end of 2000. To capitalise on such opportunities, the Group is ready to introduce its e-Trading ASP to the securities firms and financial institutions in Hong Kong.

All in all, the Group is aggressively laying the foundation in meeting the technical and business requirements of the new economy and is ready to take off together with this rising wave.

## CORPORATE INFORMATION

**Board of Directors***Executive Director*KWONG Chak Chung (*Chairman*)YIP Sam Lo (*Managing Director*)

LEUNG Yiu Chown, Desmond

LEE Sai Yeung

XU Jie

*Independent Non-executive Directors*

TAI Kar Ping, Noreen

David Egryn JONES

**Company secretary**NG Chun Chuen, David *FCCA, AHKSA***Qualified accountant**NG Chun Chuen, David *FCCA, AHKSA***Compliance officer**

YIP Sam Lo

**Authorised representatives**

YIP Sam Lo

LEUNG Yiu Chown, Desmond

**Sponsor**

Core Pacific-Yamaichi Capital Limited

**Audit committee**

YIP Sam Lo

TAI Kar Ping, Noreen (*Chairperson*)

David Egryn JONES

**Legal advisers to the Company**

Woo, Kwan, Lee &amp; Lo

**Auditors**

Ernst &amp; Young

*Certified Public Accountants***Registered office**

Zephyr House

Mary Street

P.O. Box 2681

George Town

Grand Cayman

British West Indies

Cayman Islands

**Place of business**

1608, 16th Floor, Nanyang Plaza

57 Hung To Road

Kwun Tong

Kowloon

Hong Kong

**Share registrars and transfer offices***Principal registrar*

Bank of Butterfield International (Cayman) Limited

P.O. Box 705 Butterfield House

Fort Street

George Town

Grand Cayman

British West Indies

Cayman Islands

*Branch registrar*

Tengis Limited

4th Floor, Hutchison House

10 Harcourt Road

Central

Hong Kong

**Principal bankers**

The Hong Kong and Shanghai Banking Corporation Limited

The Bank of East Asia

The Shanghai Commercial Bank

Hang Seng Bank

**Stock code**

8086



## DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and of the senior management of the Group are set out below.

### DIRECTORS

#### Executive Directors

Mr. KWONG Chak Chung, aged 49, is the chairman of the Company. He joined the Group in 1993 and is responsible for overall strategy and planning of the Group. He has over 25 years of experience in the IT industry. Prior to joining the Group, he worked for the Hong Kong and China division of a major US computer company for approximately 10 years. Mr. Kwong graduated from the University of Iowa State, the US with a Bachelor's degree of Science in Electrical Engineering and a Master's degree of Science in Computing Science. He also holds a Master's degree in Business Administration from the Chinese University of Hong Kong.

Mr. YIP Sam Lo, aged 52, is the managing director of the Group. He joined the Group in 1992 and is responsible for the overall management and development of the Group. Mr. Yip has over 20 years of experience in the IT industry. Prior to joining the Group, he was the regional manager of a major U.S. computer company. Mr. Yip graduated from the University of Texas, the US with a Bachelor's degree of Science in Mathematics and from the Texas A & M University, the US with a Master's degree of Science in Computing Science.

Mr. LEUNG Yiu Chown, Desmond, aged 47, is a director of the Company. He joined the Group in 1995 and is responsible for the overall operations of the Group in Hong Kong. He has over 16 years of experience in the IT industry and he was the head of the software consultancy in the Far East division of a major US computer company before joining the Group. Mr. Leung graduated from the University of Washington, the US with a Bachelor's degree of Science in Electrical Engineering.

Mr. LEE Sai Yeung, aged 49, is a director of the Company. He joined the Group in July 1999 and is responsible for strategic and financial planning of the Group. He has more than 15 years' experience in the securities and investment banking industry. He had been a registered dealing director, investment adviser and senior executive of several major regional and European securities firms in Hong Kong. He was also an executive director of several companies listed on the Main Board. Mr. Lee graduated from the University of Texas at Austin, the US with a Bachelor's degree in Business Administration with honours and a Master's degree in Business Administration.

Mr. XU Jie, aged 37, is a director of the Group and the country manager of the Group's operations in the PRC. He joined the Group in 1994. Prior to joining the Group, he was a division head in Guangzhou Railway Bureau for over 10 years. Mr. Xu graduated from the South China Normal University, Guangzhou, the PRC with a certificate in Computing Science.

## DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

### Independent Non-executive Directors

Ms. TAI Kar Ping, Noreen, aged 29, has 9 years of financial advisory experience from working with public accounting firms and listed companies in Hong Kong, Canada and the US. She is a chartered accountant with the Canadian Institute of Chartered Accountants and also a member of Hong Kong Society of Accountants. Ms. Tai is currently working at an international CPA firm specialising in advisory work for acquisition transactions. She holds a Bachelor's degree of Commerce from the University of Calgary, Canada.

Mr. David Egryn JONES, aged 56, has more than 24 years of experience in the IT industry, including 18 years as a senior design engineer for a multinational corporation. He is an expert in Data Communications and has extensive experience in the design and implementation of large scale information systems in the US, Canada, UK and Middle Eastern countries. Mr. Jones holds a Bachelor's degree in Physics (honours) from the University of Wales, United Kingdom.

### SENIOR MANAGEMENT

Mr. HO Lap Yiu, aged 46, joined the Group in 1993 and is currently the head of the e-commerce technology department and professional services department of the Group. He worked for a major U.S. computer company in Hong Kong and Canada for over 20 years before joining the Group. Mr. Ho graduated from the Dartmouth College, the US with a Bachelor's degree of Arts in Physics and Engineering Science.

Mr. CHAN Kwok Bun, Johnny, aged 45, is the managing director of the Group's 60 per cent. owned joint venture - 2GoTrade.com. Prior to joining the Group in January 2000, he worked for a major telecommunications company in Hong Kong and was responsible for the overall development and execution of both short and long term strategies in marketing communications, customer relationship management, competitive research and new business development. He also held several senior marketing and sales positions in other multinational IT firms in Hong Kong and the US. Mr. Chan graduated from California Institute of Technology, the US with a Bachelor's degree in Engineering and Applied Science.

Mr. WONG Tak, aged 42, is the general manager of the mobile data systems division of the Group. He joined the Group in 1996 and is responsible for the business development and management of the Group's mobile data systems business. He has over 18 years of experience in the IT industry. Prior to joining the Group, he operated his own business in the development of radio frequency data communication systems in Hong Kong. He had also worked in the technical departments of several major IT companies in Hong Kong.

Mr. CHU Man Kin, Danny, aged 34, is the general manager of the telecommunications division of the Group. He joined the Group in January 1998 and is responsible for the provision of IT-related services to mobile and fixed network telecommunications companies in Hong Kong, Macau and the PRC. He worked for a major telecommunications company in Hong Kong before joining the Group. Mr. Chu graduated from the California State University, the US with a Bachelor's degree of Science in Management Information Systems.

## DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

### SENIOR MANAGEMENT (Cont'd)

Mr. TSUNG Shih Kin, Samuel, aged 49, is the software centre manager of the Group. He joined the Group in 1998 and is responsible for the implementation of project management procedures, system development methodology, and quality assurance control procedure. Prior to joining the Group, Samuel led a software development team of a ministry in Canada for over 10 years. Mr. Tsung graduated from the University of Texas, the US with a Bachelor's degree of Science in Electrical Engineering.

### QUALIFIED ACCOUNTANT

Mr. NG Chun Chuen, David, aged 35, is the chief financial officer and company secretary of the Company. He joined the Group in 1999 and is responsible for the strategic planning, finance and accounting of the Group. He has over 12 years' experience in business management, finance and auditing and had been the executive director of companies listed in Hong Kong and overseas before joining the Group. Mr. Ng is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the first annual general meeting of ePRO Limited (the “Company”) will be held at the Fung Shui Room I, 6/F., the Hong Kong Hotel, 3 Canton Road, Kowloon, Hong Kong on Friday, 27 October 2000 at 9:00 a.m. to transact the following ordinary business:

1. to receive and consider the audited financial statements and reports of the directors and auditors for the year ended 30 June 2000;
2. to re-elect retiring directors and to fix their remuneration;
3. to re-appoint the Company’s auditors and to authorise the directors to fix their remuneration;

and, as special business, to consider and, if thought fit, passing the following resolutions (the “Resolution(s)”) as ordinary resolutions:

### Ordinary Resolution

4. **THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in connection with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) or of any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which the Directors is authorised to repurchase pursuant to the approval in paragraph (a) above during the Relevant Period (as hereinafter defined) shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the approval shall be limited accordingly; and
- (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 Articles of Association of the Company, the Companies Law (2000 Revision) of Cayman Islands or any other applicable laws of the Cayman Islands to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

## NOTICE OF ANNUAL GENERAL MEETING

5. **THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the GEM on the Stock Exchange, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares as scrip dividend pursuant to the Articles of Association of the Company from time to time; or (iii) an issue of shares under any opinion scheme or similar arrangements for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed the aggregate of:
  - (i) 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution; and
  - (ii) (if the Directors of the Company are so authorised 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 issued share capital of the Company as at the date of passing the said Resolution),

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

- (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 Articles of Association of the Company, the Companies Law (2000 Revision) of Cayman Islands or any other applicable laws of the Cayman Islands to be held; and

## NOTICE OF ANNUAL GENERAL MEETING

- (iii) the date on which the authority set out in this Resolutions is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

**"Right Issue"** means an offer of shares open for a period fixed by the Directors to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusion 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 any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong applicable to the Company).

6. **THAT** subject to the passing of the Resolution Nos. 4 and 5 set out in the notice convening this meeting, the general mandate granted to the Directors to allot and deal with additional shares pursuant to Resolution No. 5 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 4 set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution.

By order of the Board  
**Ng Chun Chuen David**  
*Company Secretary*

Hong Kong, 27 September 2000

*Principal Place of Business:*

Room 1608  
 Nanyang Plaza  
 57 Hung To Road  
 Kwun Tong  
 Kowloon  
 Hong Kong

*Registered Office:*

Zephyr House  
 Mary Street  
 P.O. Box 2681  
 George Town  
 Grand Cayman  
 British West Indies  
 Cayman Islands

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the Articles of Association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, with the branch share registrar of the Company in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

## NOTICE OF ANNUAL GENERAL MEETING

3. In relation to proposed Resolutions Nos. 5 and 6 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The Directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company. Pursuant to Rule 17.29 of the GEM Listing Rules, no further shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject to any agreement to issue within the first 6 months of the date on which securities of the Company first commence dealing on GEM.
4. In relation to proposed Resolution No. 4 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders of the Company to make an informed decision to vote on the proposed resolution as required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange is included in the accompanying circular and will be despatched to shareholders together with the annual report.
5. The register of members of the Company will be closed from Wednesday, 25 October 2000, to Friday, 27 October 2000, both days inclusive, during which period no transfer of Shares will be effected. All transfer document accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Tuesday, 24 October 2000.
6. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

## REPORT OF THE DIRECTORS

The directors present their first report and the audited financial statements of the Company for the year ended 30 June 2000.

### GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2000 under the Companies Law (2000 Revision) of the Cayman Islands. In preparing for the listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company and the subsidiaries acquired subsequently (collectively referred to as the "Group") underwent a reorganisation (the "Reorganisation") in July 2000, as further detailed in the prospectus of the Company dated 27 July 2000. As a result of the Reorganisation, the Company became the holding company of the Group on 8 July 2000. Further details of the Reorganisation are set out in note 1 to the financial statements.

On 2 August 2000, the shares of the Company were listed on the GEM of the Stock Exchange.

Supplementary financial information about the Group comprising a pro forma consolidated profit and loss account, statement of recognised gains and losses, balance sheet and cash flow statement has been presented in this annual report in order to further apprise shareholders of the Group's affairs. The information referring to the Group presented in this directors' report has been presented on a basis consistent with that of the preparation of the pro forma financial information which is further explained in note 1 to the financial statements.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries acquired pursuant to the Reorganisation are set out in note 23 to the financial statements. There were no changes in the nature of the Company's or its acquired subsidiaries' activities during the year.

### SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 30 June 2000 is as follows:

	<b>Turnover</b> <i>HK\$'000</i>	<b>Contribution to profit from operating activities</b> <i>HK\$'000</i>
By principal activity:		
Distribution of computer equipment	71,897	869
Value of professional IT contract services	297,525	17,976
	<u>369,422</u>	<u>18,845</u>
By geographical areas:		
People's Republic of China ("PRC")		
Hong Kong	161,975	3,191
Elsewhere	202,930	15,584
Singapore	4,517	70
	<u>369,422</u>	<u>18,845</u>



## REPORT OF THE DIRECTORS

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 50.

The directors do not recommend the payment of any dividend in respect of the year.

## SUMMARY PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 March 2000 and became the holding company of the companies now comprising the Group as a result of the Reorganisation, which became effective on 8 July 2000. The pro forma consolidated balance sheet of the Group is set out in the financial statements on pages 28 and 29.

To ensure consistency of presentation and for comparison purposes, the pro forma consolidated results for the three years ended 30 June 2000 are presented below on the basis that the current Group structure had been in existence throughout the said period.

	Year ended 30 June		
	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000
TURNOVER	<b>369,422</b>	261,365	240,219
Other revenue	<b>712</b>	591	667
Cost of sales	<b>(275,885)</b>	(185,038)	(177,748)
Distribution costs	<b>(13,242)</b>	(5,358)	(4,198)
Administrative and operating expenses	<b>(62,162)</b>	(62,253)	(52,166)
PROFIT FROM OPERATING ACTIVITIES	<b>18,845</b>	9,307	6,774
Deficit on revaluation of leasehold land and buildings	<b>(3,286)</b>	—	—
Finance costs	<b>(3,328)</b>	(2,887)	(2,023)
Share of profits of associates	<b>55</b>	18	5
PROFIT BEFORE TAX	<b>12,286</b>	6,438	4,756
Tax	<b>(2,430)</b>	(1,175)	(1,043)
PROFIT BEFORE MINORITY INTERESTS	<b>9,856</b>	5,263	3,713
Minority interests	<b>(1,262)</b>	(1,059)	(789)
NET PROFIT FROM ORDINARY ACTIVITIES	<b>8,594</b>	4,204	2,924
ATTRIBUTABLE TO SHAREHOLDERS	<b>8,594</b>	4,204	2,924

## REPORT OF THE DIRECTORS

### FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 11 to the financial statements.

### SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 23 to the financial statements.

### BANK AND OTHER BORROWINGS

Details of the bank and other interest-bearing borrowings of the Group are set out in note 16 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of share capital and share options are set out in note 18 to the financial statements.

### 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 which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company's shares were listed on the GEM of the Stock Exchange on 2 August 2000, and accordingly, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### RESERVES

Details of movements in the reserves of the Group during the year are set out in note 19 to the financial statements.

### DISTRIBUTABLE RESERVES

As at 30 June 2000, the Company did not have any distributable reserves.

### POST BALANCE SHEETS EVENTS

Details of the post balance sheet events are set out in note 25 to the financial statements.

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for 32% of the total sales for the year and sales to the largest customer included therein amounted to 19%.

Purchases from the Group's five largest suppliers accounted for 64% of the total purchases for the year and purchases from the largest supplier included therein amounted to 25%.

None of the directors of the Company or any of their associates or any shareholders which, to the best knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or five largest suppliers.

### DIRECTORS

The directors of the Company from 15 March 2000 (date of incorporation of the Company) to the date of this report were as follows:

*Executive directors:*

Mr. Kwong Chak Chung ( <i>Chairman</i> )	(appointed on 4 May 2000)
Mr. Yip Sam Lo ( <i>Managing Director</i> )	(appointed on 15 March 2000)
Mr. Lee Sai Yeung	(appointed on 15 March 2000)
Mr. Leung Yiu Chown, Desmond	(appointed on 4 May 2000)
Mr. Xu Jie	(appointed on 4 May 2000)
Mr. Neil T. Cox	(appointed and resigned on 15 March 2000)

*Independent non-executive directors:*

Ms. Tai Kar Ping, Noreen	(appointed on 4 May 2000)
Mr. David Egryn Jones	(appointed on 4 May 2000)

In accordance with article 87 of the Company's articles of association, Mr. Yip Sam Lo and Lee Sai Yeung will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's articles of association.

### DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10.

## REPORT OF THE DIRECTORS

### EMOLUMENTS OF DIRECTORS

Details of the directors emoluments are as follows:

	<i>HK\$'000</i>
Fees of executive directors	—
Other emoluments of executive directors:	
Basic salaries, other allowances and benefit	2,832
Discretionary bonus	843
Pension contributions	80
	<hr/>
	3,755
	<hr/> <hr/>

During the year, no emoluments were paid to the independent non-executive directors.

The number of directors whose emoluments fell within the following bands are as follows:

Nil - HK\$1,000,000	6
HK\$1,000,001 - HK\$1,500,000	1
HK\$1,500,001 - HK\$2,000,000	1
	<hr/>
	8
	<hr/> <hr/>

Three directors received emoluments of HK\$1,548,000, HK\$1,274,000, HK\$933,000, respectively, for the year ended 30 June 2000 and the remaining five directors did not received any emoluments.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration.

## REPORT OF THE DIRECTORS

### FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three directors, details of whose emoluments are set out above. The details of the emoluments paid to the remaining two highest paid non-director individuals during the year are set out below:

	<i>HK\$'000</i>
Basic salaries, other allowances and benefits	1,576
Pension contributions	9
	<hr/> 1,585 <hr/>

The number of highest paid individuals whose emolument fell within the following band is set out below.

Nil - HK\$1,000,000	2
	<hr/> <hr/>

### DIRECTORS' SERVICE CONTRACTS

Mr. Kwong Chak Chung, Mr. Yip Sam Lo, Mr. Leung Yiu Chown, Desmond and Mr. Xu Jie entered into service contracts with the Company for a term of three years commencing on 1 July 2000 which are subject to termination by either party giving not less than six months' written notice to the other.

Apart from the foregoing, 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 other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 24 to the financial statements, no director had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, or any of its holding companies and subsidiaries was a party during the year.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SHARE CAPITAL

Subsequent to the balance sheet date, on 2 August 2000, the Company was listed on the GEM of the Stock Exchange. As at date of this announcement, the interests of the Directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

#### Interests in the Company

Directors	Notes	Number of issued shares		Total
		Personal interests	Corporate interests	
Mr. Yip Sam Lo	1	—	524,866,255	524,866,255
Mr. Lee Sai Yeung	2	8,577,615	71,865,099	80,442,714

- Mr. Yip Sam Lo is the sole beneficial shareholder of Araucarea Holdings Ltd. ("Araucarea"), the ultimate holding company of the Company which, in turn, is interested in 51.61% in the issued share capital of Comlink Resources Limited ("Comlink"), an immediate holding company of the Company. Comlink is interested in 57.05% of the issued share capital of the Company.
- Mr. Lee Sai Yeung is the sole beneficial shareholder of Mendoza Enterprises Limited which, in turn, is interested in 7.81% of the issued share capital of the Company.

#### Interests in associated corporations

Directors	Notes	Name of associated corporation	Nature of interests	Approximate percentage of interests
Mr. Kwong Chak Chung	1	Comlink	Corporate	30.92
Mr. Yip Sam Lo	2	Comlink	Corporate	51.61
Mr. Leung Yiu Chown, Desmond	3	Comlink	Personal	14.44
Mr. Xu Jie	4	Comlink	Personal	3.03

- Mr. Kwong Chak Chung is the sole beneficial shareholder of Kenn & K (BVI) Ltd. which, in turn, is interested in 30.92% of the issued share capital of Comlink.
- Mr. Yip Sam Lo is the sole beneficial shareholder of Araucarea which, in turn, is interested in 51.61% of the issued share capital of Comlink.
- Mr. Leung Yiu Chown, Desmond is personally interested in 14.44% of the issued share capital of Comlink.
- Mr. Xu Jie is personally interested in 3.03% of the issued share capital of Comlink.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

## REPORT OF THE DIRECTORS

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the terms of a Pre-IPO share option plan (the "Pre-IPO Plan") adopted by the Company on 24 July 2000, options for subscribing in the shares of the Company had been granted on 26 July 2000 as follows:

<b>Names of grantee</b>	<b>Exercise price</b>	<b>Number of shares subject to the options</b>
Mr. Kwong Chak Chung	HK\$0.70	8,212,041
Mr. Yip Sam Lo	HK\$0.70	13,699,083
Mr. Leung Yiu Chown, Desmond	HK\$0.70	3,814,628
		<hr/>
		25,725,752
		<hr/>

Further details of the Pre-IPO Plan are set out in note 18 to the financial statement.

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 24 July 2000, the board of directors is authorised, at its absolute discretion, to grant options to full-time employees, including any executive directors of any companies in the Group. Further details of the Scheme are set out in note 18 to the financial statements. The Scheme became effective upon the listing of the Company's shares on the GEM of the Stock Exchange on 2 August 2000. No options had been granted to any directors or employees under the Scheme up to the date of this report.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the Company's directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2000, the Company had no notice of any interest to be recorded under Section 16(1) of the SDI Ordinance because the Company was not listed on the GEM of the Stock Exchange at that date.

As at the date of this announcement, shareholders with an interest of 10% or more in the issued share capital of the Company, recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance, were as follows:

<b>Name</b>	<b>Number of shares</b>
Comlink	524,866,255
Araucarea	524,866,255
Mr. Yip Sam Lo	524,866,255

The above shareholdings of Comlink, Araucarea, and Mr. Yip Sam Lo refer to the same shares.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## REPORT OF THE DIRECTORS

### SPONSORS' INTERESTS

As updated and notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY"), other than the interest held by the employees of CPY on the date of this report of 240,000 shares, neither CPY nor its directors or employees had any interest in the share capital of the Company as at 30 June 2000 and 27 September 2000, respectively.

Pursuant to the agreement dated 27 July 2000 entered with the Company, CPY received, and will receive, fees for acting as the Company's retained sponsor for the period from 1 July 2000 to 30 June 2003 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

### AUDIT COMMITTEE

The Company set up an Audit Committee (the "Committee") on 10 July 2000 with written terms of reference in compliance with the requirements as set out in Rule 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and provide supervision over of the financial reporting process and internal control of the Group. The Committee comprises Mr. Yip Sam Lo and the two independent non-executive directors, David Egryn Jones and Tai Kar Ping, Noreen. The Group's financial statements for the year ended 30 June 2000 have been reviewed by the Committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

### YEAR 2000 ISSUE

All accounting and financial applications of the Group were fully year 2000 compliant and therefore the Year 2000 compliance issue did not create any material adverse impact on the business of all functional areas of the Group.

### AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Kwong Chak Chung**

*Chairman*

Hong Kong

27 September 2000



## REPORT OF THE AUDITORS



安永會計師事務所

To the members

**ePRO Limited**

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 50 which have been prepared in accordance with the basis of presentation set out in note 1 to the financial statements.

### 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 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 an 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, 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 as at 30 June 2000 and of its results for the year then ended and have been properly prepared in accordance with the basis of presentation set out in note 1 to the financial statements and the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

27 September 2000

**BALANCE SHEET***30 June 2000*

	Notes	2000 HK\$
<b>CURRENT ASSET</b>		
Cash on hand		<u>0.10</u>
<b>CAPITAL</b>		
Share capital	1, 18	<u>0.10</u>

**Kwong Chak Chung**  
Chairman

**Yip Sam Lo**  
Managing Director

## PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 June 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TURNOVER	4	369,422	261,365
Other revenue	4	712	591
Cost of sales		(275,885)	(185,038)
Distribution costs		(13,242)	(5,358)
Administrative and operating expenses		(62,162)	(62,253)
PROFIT FROM OPERATING ACTIVITIES	5	18,845	9,307
Deficit on revaluation of leasehold land and buildings	6	(3,286)	—
Finance costs	7	(3,328)	(2,887)
Share of profits of associates		55	18
PROFIT BEFORE TAX		12,286	6,438
Tax	8	(2,430)	(1,175)
PROFIT BEFORE MINORITY INTERESTS		9,856	5,263
Minority interests		(1,262)	(1,059)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	19	8,594	4,204
Basic earnings per share (HK cents)	10	1.07	0.53

# PRO FORMA CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

*Year ended 30 June 2000*

	Notes	2000 HK\$'000	1999 HK\$'000
Exchange differences on translation of the financial statements of foreign subsidiaries	19	51	(177)
Net profit from ordinary activities attributable to shareholders	19	8,594	4,204
Total recognised gains and losses		8,645	4,027

## PRO FORMA CONSOLIDATED BALANCE SHEET

30 June 2000

	Notes	2000 HK\$'000	1999 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	11	<b>27,982</b>	23,120
Interests in associates	12	<b>318</b>	263
		<b>28,300</b>	23,383
<b>CURRENT ASSETS</b>			
Inventories	13	<b>14,311</b>	12,942
Trade receivables		<b>112,559</b>	72,920
Prepayments, deposits and other receivables		<b>12,533</b>	5,945
Pledged time deposits	16	<b>6,358</b>	6,072
Cash and cash equivalents	14	<b>15,664</b>	15,999
		<b>161,425</b>	113,878
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities		<b>77,968</b>	61,730
Bills payable, secured	16	<b>10,760</b>	9,256
Deposits received		<b>5,569</b>	2,644
Deferred revenue		<b>2,128</b>	2,609
Tax payable		<b>4,260</b>	2,237
Due to associates	12	<b>180</b>	1,469
Due to a director	15	<b>130</b>	133
Bank and other interest-bearing borrowings	16	<b>17,040</b>	11,066
		<b>118,035</b>	91,144
<b>NET CURRENT ASSETS</b>		<b>43,390</b>	22,734
<b>TOTAL ASSETS LESS CURRENT LIABILITIES - page 29</b>		<b>71,690</b>	46,117

## PRO FORMA CONSOLIDATED BALANCE SHEET (Cont'd)

30 June 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES - page 28		<u>71,690</u>	<u>46,117</u>
NON-CURRENT LIABILITIES			
Bank and other interest-bearing borrowings	16	16,733	8,821
Deferred tax	17	<u>12</u>	<u>12</u>
		<u>16,745</u>	<u>8,833</u>
MINORITY INTERESTS		<u>9,486</u>	<u>4,224</u>
		<u>45,459</u>	<u>33,060</u>
CAPITAL AND RESERVES			
Issued capital	18	15,100	13,564
Reserves	19	<u>30,359</u>	<u>19,496</u>
		<u>45,459</u>	<u>33,060</u>

**Kwong Chak Chung**  
Chairman

**Yip Sam Lo**  
Managing Director

## PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 June 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	20(a)	(6,773)	7,717
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		712	591
Interest paid		(3,328)	(2,887)
Dividends paid to a minority shareholder		—	(367)
Net cash outflow from returns on investments and servicing of finance		(2,616)	(2,663)
TAX			
Overseas profits taxes paid		(407)	(135)
INVESTING ACTIVITIES			
Purchase of fixed assets		(11,917)	(4,049)
Proceeds from disposal of fixed assets		24	30
Increase in pledged time deposits		(286)	(403)
Net cash outflow from investing activities		(12,179)	(4,422)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		(21,975)	497
FINANCING ACTIVITIES	20(b)		
Issue of share capital of a subsidiary		3,754	3,218
New other loans		13,500	7,000
Repayment of long term bank and other loans		(594)	(7,492)
Contribution from a minority shareholder of a subsidiary		4,000	570
Advance to a minority shareholder		—	(417)
Net cash inflow from financing activities		20,660	2,879
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,315)	3,376
Cash and cash equivalents at beginning of year		5,533	2,176
Effect of foreign exchange rate changes, net		—	(19)
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,218	5,533

**PRO FORMA CONSOLIDATED CASH FLOW STATEMENT (Cont'd)***Year ended 30 June 2000*

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>15,664</b>	15,999
Bank overdrafts, secured	<b>(11,446)</b>	(10,466)
	<hr/>	<hr/>
	<b>4,218</b>	5,533
	<hr/>	<hr/>



## NOTES TO FINANCIAL STATEMENTS

30 June 2000

### 1. GROUP REORGANISATION AND BASIS OF PRESENTATION

#### **The Company**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2000 under the Companies Law (2000 Revision) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 August 2000.

On incorporation, the Company had authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. On 15 March 2000, one share was allotted and issued fully paid. Apart from the aforesaid share issued, no other transactions were carried out by the Company during the period from 15 March 2000 (date of incorporation of the Company) to 30 June 2000. Accordingly, the Company did not have any results for the period.

Because the Company was incorporated on 15 March 2000, no comparative amounts for 1999 have been presented in the Company's balance sheet.

#### **Group reorganisation**

Pursuant to a reorganisation (the "Reorganisation") to rationalise the structure of the Group in July 2000 in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company acquired the entire issued share capital of ePRO (BVI) Limited ("EBVI"), the then holding company of the other subsidiaries set out in note 23 to the financial statements, thereby becoming the holding company of the companies now comprising the Group. Further details of the Reorganisation are set out in the prospectus of the Company dated 27 July 2000 (the "Prospectus").

The Reorganisation involved companies under common control, and for accounting purposes, in the preparation of the Company's financial statements for the next year ending 30 June 2001, the Company and its acquired subsidiaries (as further detailed in note 23 to the financial statements) will be regarded and accounted for as a continuing group. Accordingly, for the benefit of shareholders, supplementary pro forma consolidated financial statements on pages 26 to 31 and the related notes thereto have been presented in the current year on the basis that the Company is treated as the holding company of its subsidiaries for the financial years presented rather than from the subsequent date of acquisition of the subsidiaries as is required by SSAP 27 "Accounting for Group Reconstructions". The results of the Group for the years ended 30 June 2000 and 1999 include the results of the Company and its subsidiaries with effect from 1 July 1998 or since their respective dates of incorporation, where these are shorter periods. The comparative balance sheet as at 30 June 1999 has been prepared on the basis that the existing Group had been in place at that date.

All significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

Although the Reorganisation had not been completed and, accordingly, the Group did not legally exist until July 2000, in the opinion of the directors, the presentation of such supplementary pro forma financial statements prepared on the above basis is necessary to apprise shareholders of the Group's affairs.

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

### 2. CORPORATE INFORMATION

During the year, the Group was involved in the provision of professional information technology ("IT") contract services and the distribution of computer equipment.

In the opinion of the directors, the Company is a subsidiary of Comlink Resources Limited, a company incorporated in the British Virgin Islands. Araucarea Holdings Ltd., a company incorporated in the British Virgin Islands, is the Company's ultimate holding company.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

These financial statements have been prepared in accordance with 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 for the remeasurement of leasehold land and buildings which are stated at professional valuation, as further explained below.

#### **Subsidiaries**

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

#### **Goodwill and capital reserve**

Goodwill arising on the consolidation of subsidiaries and associates represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

Negative goodwill arising on the consolidation of subsidiaries and associates represents the excess of fair values ascribed to the net underlying assets acquired over the purchase consideration paid for such companies and is credited to reserve in the year of acquisition.

Upon the disposal of subsidiaries and associates, the relevant portion of attributable goodwill previously eliminated against or credited to reserve is realised and taken into account in arriving at the gain or loss on disposal.

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Associates**

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any additional provisions for diminutions in values other than temporary in nature deemed necessary by the directors.

**Fixed assets and depreciation**

Fixed assets are stated at cost or valuation less accumulated depreciation. 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 fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the fixed assets revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On the disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% - 5%
Leasehold improvements	20%-50%
Furniture, fixtures and equipment	20%
Computer equipment and software	18%-33 $\frac{1}{3}$ %
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Inventories**

Inventories represent trading merchandise and direct costs incurred for IT contract work in progress and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less estimated costs expected to be incurred to disposal.

#### **Deferred revenue**

Deferred revenue represents service fees received in advance. Revenue is recognised and deferred revenue is released to the profit and loss account when the corresponding services are rendered.

#### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

#### **Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### **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.

#### **Foreign currencies**

Foreign currency transactions are recorded 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. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

**NOTES TO FINANCIAL STATEMENTS***30 June 2000***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Cash equivalents**

For the purpose of the pro forma cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

**Revenue recognition**

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:

- (a) on the provision of professional IT contract services, based on the stage of completion of the respective IT contracts, which is determined with reference to the terms of the contracts;
- (b) on the distribution of computer equipment, 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; and
- (c) interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

**Retirement benefits scheme**

The Group operates a defined contribution retirement benefits scheme for employees who are eligible and have elected to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 4. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, net of returns and allowances, and the value of professional IT contract services rendered. An analysis of turnover and revenue is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Distribution of computer equipment	71,897	43,019
Value of professional IT contract services	297,525	218,346
Turnover	369,422	261,365
Interest income	712	591
Total revenue	370,134	261,956

## 5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Group	
	2000	1999
	HK\$'000	HK\$'000
Depreciation	3,745	2,756
Operating lease rentals in respect of land and buildings	2,586	2,332
Provision for doubtful debts	217	1,443
Provision for inventories	121	1,475
Auditors' remuneration	650	350
Staff costs:#		
Wages and salaries	39,724	39,859
Pension contributions	878	999
Less: Forfeited contributions	(435)	(103)
Net pension contributions*	443	896
Exchange (gains)/losses, net	(3,329)	153
Interest income	(712)	(591)

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 5. PROFIT FROM OPERATING ACTIVITIES (Cont'd)

- # Included directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and Section 161 of the Companies Ordinance are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Fees	—	—
Other emoluments:		
Basic salaries, other allowances and benefits	2,832	2,288
Discretionary bonus	843	—
Pension contributions	80	85
	<u>3,755</u>	<u>2,373</u>

The above remuneration was paid to three executive directors. No emoluments were paid by the Group to these executive directors, either as an inducement to join the Group, or as compensation for loss of office. During the year, no fees and remuneration were paid to the independent non-executive directors. There were no arrangements under which a director either waived or agreed to waive any remuneration.

- \* At 30 June 2000, the forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years amounted to approximately HK\$38,000.

## 6. DEFICIT ON REVALUATION OF LEASEHOLD LAND AND BUILDINGS

In preparation for the listing of the shares of the Company on the GEM of the Stock Exchange, a revaluation on the leasehold land and buildings of the Group was performed. The effect of such revaluation, the details of which are set out in note 11 to the financial statements, was incorporated in the financial statements in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

## 7. FINANCE COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts	2,475	2,451
Interest on other loans	853	436
	<u>3,328</u>	<u>2,887</u>

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 8. TAX

Hong Kong profits tax has not been provided for as the Group companies either did not generate any assessable profits in Hong Kong, or had available tax losses brought forward to offset the assessable profits generated during the year.

Tax on profits in respect of Group companies operating elsewhere has been calculated at the rates of tax prevailing in the respective tax jurisdiction in which they operate based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2000	1999
	HK\$'000	HK\$'000
The Group:		
Hong Kong - overprovision in prior years	—	(3)
Elsewhere - provision for the current year	2,430	1,178
	<hr/>	<hr/>
Tax charge for the year	2,430	1,175
	<hr/>	<hr/>

## 9. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

	Group	
	2000	1999
	HK\$'000	HK\$'000
Dividends paid by a subsidiary of the Company to its then shareholders prior to the listing of the Company	—	750
	<hr/>	<hr/>

## 10. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$8,594,000 (1999: 4,204,000) and 800,000,000 shares in issue throughout the years assuming the 800,000,000 shares issued in July 2000 pursuant to the Reorganisation further described in notes 1 and 25 (i) and (ii) had been outstanding throughout the years.



## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 11. FIXED ASSETS

## Group

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment and software	Motor vehicles	Project under construction	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:							
At beginning of year	17,002	2,820	2,926	7,979	1,789	1,208	33,724
Additions	—	1,376	574	5,147	28	4,792	11,917
Transfer	—	—	—	6,000	—	(6,000)	—
Disposals	—	(73)	—	(56)	—	—	(129)
Deficit on revaluation (note 6)	(3,286)	—	—	—	—	—	(3,286)
At 30 June 2000	13,716	4,123	3,500	19,070	1,817	—	42,226
Accumulated depreciation:							
At beginning of year	1,038	1,447	1,573	5,517	1,029	—	10,604
Provided during the year	396	670	523	1,924	232	—	3,745
Disposals	—	(49)	—	(56)	—	—	(105)
At 30 June 2000	1,434	2,068	2,096	7,385	1,261	—	14,244
Net book value:							
At 30 June 2000	12,282	2,055	1,404	11,685	556	—	27,982
At 30 June 1999	15,964	1,373	1,353	2,462	760	1,208	23,120

As at 30 June 2000 the medium term leasehold land and buildings with net book value of HK\$11,800,000 are situated in Hong Kong and the long term leasehold land and buildings of HK\$482,000 are situated in the People's Republic of China ("PRC").

The Group's leasehold land and buildings are stated at valuation, on an open market existing use basis, by Chesterton Petty Limited, International Property Consultants at 31 May 2000. Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK\$15,568,000 as at 30 June 2000.

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 12. INTERESTS IN ASSOCIATES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets	318	263
Due to associates	180	1,469

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

Particulars of the associates as at 30 June 1999 and 2000 are as follows:

Name	Business structure	Place of incorporation and operations	Issued and fully paid share capital	Percentage of ownership interest attributable to the Group	Principal activities
Connex Networks Limited	Corporate	Hong Kong	HK\$720,000	33 $\frac{1}{3}$	Provision of professional IT contract services
EPRO AS&T Limited	Corporate	Hong Kong	HK\$10,000	46	Dormant

## 13. INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
IT contracts work in progress	10,079	9,137
Merchandise for sale	4,232	3,805
	14,311	12,942

## 14. CASH AND CASH EQUIVALENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Cash and bank balances	15,664	15,999

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 15. DUE TO A DIRECTOR

The balance is unsecured, interest-free and has no fixed term of repayment.

## 16. BANK AND OTHER INTEREST-BEARING BORROWINGS

	Notes	Group	
		2000 HK\$'000	1999 HK\$'000
Bank overdrafts, secured		11,446	10,466
Bank loans, secured		8,827	9,421
Loan from related companies, unsecured	(a)	8,500	—
Other loan, secured	(b)	5,000	—
	(c)	<u>33,773</u>	<u>19,887</u>
Wholly repayable within one year		17,040	11,066
Repayable within one to two years		9,124	629
Repayable within two to five years		2,515	1,977
Repayable beyond five years		5,094	6,215
		<u>33,773</u>	<u>19,887</u>
Less: Portion classified as current liabilities		<u>(17,040)</u>	<u>(11,066)</u>
		<u>16,733</u>	<u>8,821</u>

- (a) The loans from related companies are unsecured, bear interest at 12% per annum and are repayable on or before 31 July 2001.
- (b) The other loan is guaranteed by a director, bears interest at 12% per annum and is repayable on or before 19 October 2000.
- (c) The bank facilities of the Group are secured by:
- (i) mortgages over the Group's land and buildings situated in Hong Kong, which have an aggregate carrying value at 30 June 2000 of HK\$11,800,000;
  - (ii) personal guarantee of certain directors of the Company;
  - (iii) time deposits pledged of HK\$6,358,000;

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

**16. BANK AND OTHER INTEREST-BEARING BORROWINGS (Cont'd)**

(iv) time deposits pledged by a shareholder of the Company of HK\$1,741,000; and

(v) charge over a property owned by a director of the Company.

Subsequent to the balance sheet date, certain banks have agreed in principle that the personal guarantees and charges over the deposits and property pledged by directors or shareholder will be released and replaced by corporate guarantee and/or other security from the Company and the Group.

**17. DEFERRED TAX**

The principal component of deferred tax relates to timing differences in respect of accelerated depreciation allowances.

**18. SHARE CAPITAL**

As at 30 June 1999 and 2000, the share capital shown on the pro forma financial statements represents the aggregate share capital of the Company and the then holding company of the subsidiaries now comprising the Group, EPRO Systems Limited, before the Reorganisation referred to in note 1 to the financial statements.

As at 30 June 2000, the share capital of the Company was as follows:

	HK\$
Authorised:	
1,000,000 shares of HK\$0.10 each	100,000
	<hr/>
Issued and fully paid:	
1 share of HK\$0.10 each	0.10
	<hr/>

On incorporation, the authorised share capital was HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. One share was allotted and issued at par for cash on 15 March 2000. The changes in the Company's share capital subsequent to the balance sheet date are set out in note 25 to the financial statement.

**Pre-IPO share option plan**

In recognising the contribution of certain directors of the Group to the growth of the Group and/or the listing of the shares of the Company on the GEM of the Stock Exchange, the shareholders adopted a Pre-IPO share option plan (the "Pre-IPO Plan") on 24 July 2000. Pursuant to the terms of the Pre-IPO Plan, 25,725,752 options to subscribe for shares of the Company were granted to three executive directors of the Company on 26 July 2000, at an exercise price of HK\$0.70, with a vesting period starting from 6 months after 2 August 2000 until 23 July 2010. However, each of the grantees is not allowed to exercise in aggregate in excess of 25% of all the options granted within any 6 calendar-month period. The Pre-IPO Plan expired on 2 August 2000, but the granted options remain exercisable during the vesting period.

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 18. SHARE CAPITAL (Cont'd)

## Share option scheme

Under the terms of the share option scheme (the "Scheme") adopted by the Company on 24 July 2000, the board of directors of the Company is authorised, at its absolute discretion, to invite any employee, including any executive directors of the Company or any of its subsidiaries, to take up options to subscribe for shares of the Company. The subscription price will be determined by the directors, but may not be less than the higher of the closing price of the shares on the GEM of the Stock Exchange on the date of the grant of the option, or the average of the closing price of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options, and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme, together with the 25,725,752 options so granted under the Pre-IPO Plan, may not exceed 10% of the issued share capital of the Company or to a maximum of 30% should the shareholders renew the 10% limit, from time-to-time which have been duly allotted and issued. The Scheme became effective for a period of ten years commencing on the listing of the Company's shares on 2 August 2000. Further details of the Scheme are set out in the Prospectus.

No share options were allotted under the Scheme as at 30 June 2000 and up to the date of approval of these financial statements.

## 19. RESERVES

Group	Share	Capital	Retained	Reserve	Expansion	Exchange	Total
	premium	reserve	profits	fund	reserve	reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 1998	10,167	479	4,795	14	14	—	15,469
Transfer from/(to) reserves	—	—	(116)	58	58	—	—
Foreign exchange adjustments	—	—	—	—	—	(177)	(177)
Profit for the year	—	—	4,204	—	—	—	4,204
Balance at 30 June 1999 and 1 July 1999	10,167	479	8,883	72	72	(177)	19,496
New shares issued by a subsidiary	2,218	—	—	—	—	—	2,218
Transfer from/(to) reserves	—	—	(130)	65	65	—	—
Foreign exchange adjustments	—	—	—	—	—	51	51
Profit for the year	—	—	8,594	—	—	—	8,594
Balance at 30 June 2000	12,385	479	17,347	137	137	(126)	30,359

As at 30 June 1999 and 2000, the share premium represents the aggregate share premium of the Company and the then holding company of the subsidiaries now comprising the Group, EPRO Systems Limited, before the Reorganization.

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 19. RESERVES (Cont'd)

Retained profits as at 30 June 2000 comprise profits of HK\$17,269,000 retained by the Company and its subsidiaries and HK\$78,000 retained by the associates.

The appropriation to the reserve fund and the expansion reserve are determined by the respective board of directors of the PRC subsidiaries. They are non-distributable and are reflected as reserves in the balance sheet.

## 20. NOTES TO THE PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow/(outflow) from operating activities:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Profit from operating activities	18,845	9,307
Interest income	(712)	(591)
Depreciation	3,745	2,756
Loss on disposal of fixed assets	—	90
Decrease/(Increase) in inventories	(1,369)	9,781
Increase in trade receivables	(39,639)	(6,053)
Decrease/(increase) in prepayments, deposits and other receivables	(6,588)	140
Increase/(decrease) in trade payables and accrued liabilities	16,238	(480)
Increase in bills payable	1,504	209
Increase/(decrease) in deposits received	2,925	(1,656)
Decrease in deferred revenue	(481)	(5,924)
Increase/(decrease) in amounts due to associates	(1,289)	326
Decrease in amount due to a director	(3)	(5)
Foreign exchange adjustments	51	(183)
Net cash inflow/(outflow) from operating activities	(6,773)	7,717

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 20. NOTES TO THE PRO FORMA CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year :

## Group

	Share capital (including share premium) HK\$'000	Bank loans HK\$'000	Other loans HK\$'000	Minority interests HK\$'000
At 1 July 1998	20,513	9,913	—	3,404
Issue of shares of a subsidiary	3,218	—	—	—
Net cash inflow from financing	—	—	7,000	—
Net cash outflow from financing	—	(492)	(7,000)	(417)
Dividends paid	—	—	—	(367)
Contribution from a minority shareholder of a subsidiary	—	—	—	570
Share of profits	—	—	—	1,059
Foreign exchange adjustment	—	—	—	(25)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999 and 1 July 1999	23,731	9,421	—	4,224
Issue of shares of a subsidiary	3,754	—	—	—
Net cash inflow from financing	—	—	13,500	—
Net cash outflow from financing	—	(594)	—	—
Contribution from a minority shareholder of a subsidiary	—	—	—	4,000
Share of profits	—	—	—	1,262
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2000	<u>27,485</u>	<u>8,827</u>	<u>13,500</u>	<u>9,486</u>

## 21. CONTINGENT LIABILITIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Contingent liabilities in respect of performance bond issued	<u>263</u>	<u>153</u>

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 22. COMMITMENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	1,370	514
In the second to fifth years, inclusive	1,878	963
Beyond five years	225	—
	<u>3,473</u>	<u>1,477</u>

## 23. SUBSIDIARIES

Particulars of the subsidiaries which were acquired pursuant to the Reorganization set out in note 1 to the financial statements are as follows:

Name	Place of registration/ incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company		Principal activities
			Direct	Indirect	
ePRO (BVI) Limited	British Virgin Islands	Nil	100	—	Investment holding
EPRO Systems Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred HK\$15,099,769	—	100	Investment holding and provision of management services
EPRO Systems (HK) Limited	Hong Kong	HK\$100,000	—	100	Investment holding, distribution of computer equipment and provision of professional IT contract services



## NOTES TO FINANCIAL STATEMENTS

30 June 2000

### 23. SUBSIDIARIES (Cont'd)

Name	Place of registration/ incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company		Principal activities
			Direct	Indirect	
EPRO Sistemas Informaticos (Macau), Limitada	Macau	MOP300,000	—	100	Provision of professional IT contract services
EPRO Systems (China) Limited	Hong Kong	HK\$925,000	—	100	Provision of professional IT contract services
EPRO Technology Limited	Hong Kong	HK\$1,000,000	—	100	Investment holding
Guangzhou EPRO Computer Systems Limited	PRC	HK\$1,500,000	—	90	Provision of professional IT contract services
EPRO Systems (S) Pte. Limited	Republic of Singapore	S\$400,000	—	90	Provision of professional IT contract services
Beijing EPRO Beixin Information Technology Company Limited	PRC	US\$400,000	—	51	Software development and distribution
EPRO Computer Systems (Beijing) Company Limited	PRC	US\$200,000	—	100	Provision of professional IT contract services
EPRO Computer Systems (Shanghai) Company Limited	PRC	US\$200,000	—	100	Provision of professional IT contract services
EPROBJLIB Information Technology Limited	PRC	US\$150,000	—	51	Provision of professional IT contract services

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

## 23. SUBSIDIARIES (Cont'd)

Name	Place of registration/ incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company		Principal activities
			Direct	Indirect	
Dillion Enterprises Corp.	British Virgin Islands	US\$1	—	100	Provision of professional IT contract services
eTradeGo Limited (formerly eTradePro Ltd.)	British Virgin Islands	US\$1,282,050	—	60	Investment holding
2GoTrade.com Limited	Hong Kong	HK\$4,000,000	—	60	Provision of Application Services Provider services

## 24. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with an associate and related parties in which certain directors of the Company have beneficial interests:

	Notes	2000 HK\$'000	1999 HK\$'000
IT contract services payments to an associate	(a)	718	3,532
Management fee received from an associate	(b)	96	96
Interest paid to related companies	(c)	434	419

## Notes:

- (a) Contract payments were made to an associate in respect of IT contract services provided which were determined with reference to the direct costs incurred by the associate plus a profit margin to cover the operating expenses of an associate.
- (b) A management fee of HK\$8,000 per month was charged to an associate in respect of the administrative support provided by the Group. The management fee was determined on mutual negotiation with reference to the actual costs incurred.
- (c) Interest was charged on amounts advanced by related companies at an interest rate of 12% per annum.

## NOTES TO FINANCIAL STATEMENTS

30 June 2000

### 25. POST BLANCE SHEET EVENTS

Pursuant to the Reorganisation, the following changes in the Company's share capital took place:

- (i) On 8 July 2000, the authorized share capital of the Company was increased from HK\$100,000 to HK\$1,000,000,000 by the creation of additional 9,999,000,000 shares of HK\$0.10 each ranking pari passu with the existing shares. 413,879,999 shares of HK\$0.10 each were then allotted and issued in consideration for the acquisition by the Company of the entire issued share capital of EBVI;
- (ii) On 24 July 2000, 386,120,000 shares of HK\$0.10 each were allotted and issued and credited as fully paid by way of capitalisation of the sum of HK\$38,612,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the new shares issued to the public (note iii below);
- (iii) On 31 July 2000, 120,000,000 shares of HK\$0.10 each were issued at HK\$0.70 each (the "New Issue") by way of a placement for a total cash consideration, before expenses of approximately HK\$13,000,000, of HK\$84,000,000 ; and
- (iv) Immediately following the New Issue, the 386,120,000 shares (note ii above) were issued proportionally to the shareholders listed in the register of the Company on 10 July 2000 and were paid up by way of capitalisation of the sum of HK\$38,612,000 standing to the credit of the share premium account of the Company.

### 26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 27 September 2000.