

***e*PRO**

***e*PRO LIMITED**

易 寶 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

FIRST QUARTER REPORT

2001

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 the 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 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 in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

HIGHLIGHTS

- For the three months ended 30 September 2000, the Group's turnover increased by 96% to approximately HK\$97,934,000.
- The Group recorded a net profit attributable to shareholders of approximately HK\$97,000 as compared with the loss of approximately HK\$545,000 in the corresponding quarter of the previous year.
- Earnings per share was approximately HK0.01 cent and the loss per share was approximately HK0.07 cent in the corresponding period of the last year.
- No payment of an interim dividend is recommended by the Board.

QUARTERLY RESULTS (UNAUDITED)

The board of directors (the "Board") of ePRO Limited ("the Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 September 2000, together with the comparative unaudited figures for the corresponding period in 1999, as follows:

	<i>Notes</i>	Three months ended 30 September	
		2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
TURNOVER	2	97,934	49,957
Other revenue		880	21
Cost of sales		(75,999)	(36,692)
Distribution costs		(3,672)	(1,541)
Administrative and operating expenses		(18,546)	(11,706)
PROFIT FROM OPERATING ACTIVITIES		597	39
Finance costs		(1,097)	(502)
Share of Profit/(Loss) of Associates		27	(17)
(LOSS) BEFORE TAX		(473)	(480)
Tax	3	(60)	(12)
(LOSS) BEFORE MINORITY INTERESTS		(533)	(492)
Minority Interests		630	(53)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		97	(545)
Basic Earnings/(Loss) Per Share (HK Cents)	4	0.01	(0.07)

1. Basis of preparation of the financial statements

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 Company is an investment holding company for the Group with its principal activities being in the development and implementation of e-commerce enabling software products and the provision of system integration and IT related services to commercial enterprises and government entities in Asia. In addition, the Group distributes computer hardware and related peripherals. The shares of the Company have been listed on GEM since 2 August 2000.

Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the public listing of its shares in August 2000, the Company became the holding company of the companies now comprising the Group in July 2000.

The unaudited consolidated profit and loss account of the Group has been prepared on a merger accounting basis as if the Company has always been the holding company of the respective subsidiaries now comprising the Group.

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

2. Turnover

Turnover represents the net invoiced value of goods sold, net of returns and allowances, and the value of professional information technology ("IT") contract services rendered.

3. Taxation

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 period.

Tax on profits in respect of Group Companies operating elsewhere have 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.

	Three months ended 30 September	
	2000 HK\$'000	1999 HK\$'000
The Group:		
Hong Kong taxation	0	0
Overseas taxation	60	12
	<u>60</u>	<u>12</u>
	<u><u>60</u></u>	<u><u>12</u></u>

The Group did not have any significant unprovided deferred tax liabilities for the period.

4. Earnings / (loss) per share

The calculation of basic earnings per share is based on the net unaudited profit attributable to shareholders for the three months ended 30 September 2000 of approximately HK\$97,000 and on the weighted average of 880,000,000 shares in issue during the period ended 30 September 2000.

The calculation of loss per share is based on the loss attributable to shareholders for the three months ended 30 September 1999 of approximately HK\$545,000 and on the weighted average of 800,000,000 shares in issue during the period ended 30 September 1999.

No diluted earnings per share has been presented for the three months ended 30 September 2000 as the exercise price of the Company's outstanding share options was higher than the average market price for the period.

No diluted loss per share has been presented for the three months ended 30 September 1999, as the Company did not have any dilutive potential ordinary shares.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2000 (1999: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

FINANCIAL REVIEW

For the three months ended 30 September 2000, the Group achieved an unaudited consolidated turnover of approximately HK\$97,934,000 representing a 96% increase as compared to the same quarter in the previous year. The unaudited net profit attributable to shareholders amounted to approximately HK\$97,000. In comparison, the Group recorded an unaudited loss of approximately HK\$545,000 for the corresponding period last year.

Growth in the first quarter, which has traditionally been a slow indicative quarter, demonstrates a moderate start of the year. However, given the well-respected name and the professional management team, the Company is well positioned to capture more market shares and business opportunities.

During the period, the Group incurred about HK\$1.5 million pre operating expenses on the development of e-Trading ASP for AMS/3 which is a new generation of trading infrastructure designed to support service delivery to brokers, investors and other market participants. Subject to the declaration of operational readiness by Stock Exchange participants, the delay of introduction of AMS/3 to the market deferred the Group's strategy, causing delay in profit return of e-Trading ASP development.

NEW FUNDING

As a result of the listing of the Company's shares on GEM in Hong Kong and the share placement, the Company obtained net proceeds of approximately HK\$71 million. The Company intends to continue utilizing these proceeds in the four areas, which are stated in the prospectus of the Company dated 27 July 2000 ("the Prospectus"), as follows:

1. Research and development of existing and new software products and solution;
2. Establishment of software centres, co-operation with academic institutions and other related IT companies;

3. Marketing and promotion activities for new software products and solutions; and
4. Repayment of an independent third party loan.

In mid October 2000, the Company made a loan repayment of approximately HK\$5.5 million to an independent third party out of the net proceeds from share placement.

BUSINESS OBJECTIVES AND THE IMPLEMENTATION PROGRESS

The Group's overall objective is to be one of the leading providers of one-stop e-commerce solutions and IT consulting services for its clients in the industry, mainly in the PRC and Hong Kong markets.

In order to achieve this long term business goal, the Group has developed certain strategies, which are stated in pages 68 to 71 of the Prospectus, over the period from 1 July 2000 to 30 June 2002. The actual progress of these objectives for three months ended 30 September 2000 is summarized as follows:

a) e-Logistics Development

Capitalizing on the internally developed radio frequency ("RF") based IT solutions and experience from the projects completed in the past years, the Group has started to explore a standardised overall solution for the logistics and warehousing industry - the e-Logistic system. The Company has accomplished the business plan for the total e-Logistics solutions and has designed the structure of the e-Fulfillment module. 3 more programmers were employed at the Guangzhou software centre for this development. Also the Company has identified several new strategic business alliances.

b) e-Billing Development

A comprehensive and sound billing system is essential for the telecommunications network operators and the development of Internet trading, inducing e-commerce activities in the Asia Pacific Region. The development of e-Billing application for telecommunication industry was in progress as scheduled. Additional modules relating to usage management have been developed according to the latest market demand. The Company continues to monitor the strategies closely in order to meet the user requirements.

c) e-Trading ASP Development

Alpha tests were conducted on various applications and beta tests will be carried out in the near future, as planned. The Company continues to investigate the market trend and the development of e-Trading ASP in the PRC. In the mean time, the Company is recruiting more talented and experienced technical staff for the Hong Kong operations. A few new strategic business partners have been identified and further details of collaboration will be discussed.

d) Strengthening Research and Development Capabilities

A new software centre in PRC is to set up, focusing on major areas of development. It will also serve as a training centre to provide various comprehensive programmes for upgrading staff on the latest development in the industry from time to time. Several research and development programmes are planning in progress to capture more business opportunities.

e) Strategic Investments, Acquisitions and Collaboration

The Company continued to identify new application solutions and has explored the possibility of collaboration with potential partners. Taking the potential growth in telecommunications, more resources, including the recruitment of additional staff, will be drawn to strengthen the Company's market position in line with our development in those areas.

DEPLOYMENT OF HUMAN RESOURCES

The total headcount increased by 17 from 286 to 303 during the period from 1 July 2000 to 30 September 2000. New teams of technical engineers were recruited and engaged in various software projects in Guangzhou and Shanghai. As at 30 September 2000, the Group had a total work force of 303 of which approximately 60% of them were technical staff.

PROSPECTS

The past quarter demonstrated high volatility of the world technology markets and a subsequent wide-spread consolidation in the internet investments. The adverse atmosphere will inevitably have a short-term impact to our business. Under such circumstances, the Board believes that the solution is to be more focused on adapting technology to achieve our business objectives.

The Board believes that the flourishing internet development and the expanding number of Internet users will continue to make e-commerce activities an essential part of the life in Hong Kong and the PRC. This will contribute to the tremendous demand on the deployment of Internets and outsource of the IT services to cope with the development. The Board believes that it is the golden opportunity for penetrating to the fundamental stratum of e-commerce business.

The expected entrance of the PRC into the World Trade Organization and the inevitable convergence of Telecommunications and Internet will open up enormous market for the Group. Envisioning such changes, the Group will leverage on its strength to provide all possible solutions and continue to capture the opportunities brought about by the increasing transportation and business activities including the RF-based logistics solutions and e-Logistics system.

Given the fact that the mobile phone penetration rate in Hong Kong is one of the highest in the world and given the intensified competition among telecommunications companies, the Board believes that the importance of more sophisticated e-CRM systems, part of the e-Billing system of the Group will be realised to take a lead in the industry.

The valued-added services of the wireless communications and Internet technologies, including WAP for mobile phones, has become an indispensable part of the Company's success in expanding the market share. The Board believes that the Group's experience in developing and supporting telecommunications operators' billing and customer care systems will largely enhance its competitiveness.

As the financial hub of Asia, Hong Kong cannot ignore the trend of rising volume of securities trading on the Internet. Therefore, the Group believes that with its experience in developing the AMS/2 system for the Stock Exchange, the Group's e-Trading ASP development, which was introduced to securities firms and financial institutions, will capture certain market share in the industry.

The technical and business requirements of the new economy are rapidly changing. Hence the Board believes that the Company's efforts to strengthen its role as one of the major players in the industry will continue to bring more satisfactory results to our shareholders.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 2000, the particulars of the directors' interests in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Interests in the Company

Name of director	Notes	Number of issued shares		
		Personal interests	Corporate interests	Total
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

1. 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% of 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.
2. 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

Name of director	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

1. 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.
2. 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.
3. Mr. Leung Yiu Chown, Desmond is personally interested in 14.44% of the issued share capital of Comlink.
4. Mr. Xu Jie is personally interested in 3.03% of the issued share capital of Comlink.

Save as disclosed above, as at 30 September 2000, none of the directors or any of their associates had any interests in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

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 have been granted on 26 July 2000 to certain directors to subscribe for shares of the Company. Details of which are as follows:

Name of grantee	Exercise price	Number of shares subject to the options
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
		<u>25,725,752</u>

Pursuant to the terms of the Pre-IPO Plan, 25,725,752 options to subscribe for shares of the Company were granted to the above three directors of the Company, at an exercise price of HK\$0.70, with a vesting period starting from 6 months after 2 August 2000 until 23 July 2010. No option was exercised under the scheme up to the date of this report.

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 24 July 2000, the Board is authorised, at its absolute discretion, to grant options to full-time employees, including any executive directors of any companies in the Group. The Scheme became effective upon the listing of the Company's shares on the GEM 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 September 2000, 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:

Name	Number of shares
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.

COMPETING INTERESTS

During the period under review, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with the Group or might compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY"), as at 10 November 2000, an employee of Core Pacific-Yamaichi International (H.K.) Limited held a total of 28,000 shares in the Company.

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 Committee comprises Mr. Yip Sam Lo and the two independent non-executive directors, Mr. David Egryn Jones and Ms. Tai Kar Ping, Noreen. The primary duties of the Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

By order of the Board
Yip Sam Lo
Managing Director

Hong Kong, 13 November 2000