

**ePRO**  
**ePRO LIMITED**

**易寶有限公司**

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

**INTERIM 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 six months ended 31 December 2000, the Group's turnover increased by 58% to approximately HK\$231 million.
- The Group recorded a net profit attributable to shareholders of approximately HK\$4.3 million, representing a 7% increase over the corresponding period of the previous year.
- Earnings per share was approximately HK0.48 cents.
- The Board does not recommend payment of an interim dividend.

## INTERIM 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 and the six months ended 31 December 2000, together with the comparative unaudited figures for the corresponding period in 1999, as follows:

	<i>Notes</i>	<b>Three months ended 31 December</b>		<b>Six months ended 31 December</b>	
		<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>
TURNOVER	2	133,348	96,002	231,282	145,959
Other revenue		1,370	165	2,250	186
Cost of sales		(105,345)	(69,337)	(182,911)	(106,029)
Distribution costs		(4,458)	(4,841)	(6,563)	(6,382)
Administrative and operating expenses		(18,800)	(15,226)	(37,346)	(26,932)
PROFIT FROM OPERATING ACTIVITIES		6,115	6,763	6,712	6,802
Finance costs		(1,024)	(656)	(2,121)	(1,158)
Share of Profit / (Loss) of Associates		185	(14)	212	(31)
PROFIT BEFORE TAX		5,276	6,093	4,803	5,613
Tax	3	(450)	(231)	(510)	(243)
PROFIT BEFORE MINORITY INTERESTS		4,826	5,862	4,293	5,370
Minority Interests		(620)	(1,308)	10	(1,361)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		4,206	4,554	4,303	4,009
Basic Earnings Per Share (HK Cents)	4	0.46	0.57	0.48	0.50

*Notes:*

**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 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.

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group:				
Hong Kong taxation	0	0	0	0
Overseas taxation	450	231	510	243
	<u>450</u>	<u>231</u>	<u>510</u>	<u>243</u>

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

**4. Earnings per share**

The calculation of basic earnings per share for the three months and the six months ended 31 December 2000 is based on the net unaudited profit attributable to shareholders of approximately HK\$4.2 million and HK\$4.3 million respectively (three months and six months ended 31 December 1999: HK\$4.6 million and HK\$4.0 million respectively) and the weighted average number of 920,000,000 shares and 900,000,000 shares in issue respectively (three months and six months ended 31 December 1999: 800,000,000 shares).

No diluted earnings per share has been presented for the three months and the six months ended 31 December 2000 as the exercise price of the Company's outstanding share options was higher than the average market price for the periods.

No diluted earning per share has been presented for the three months and the six months ended 31 December 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 six months ended 31 December 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 six months ended 31 December 2000, the Group achieved an unaudited consolidated turnover of approximately HK\$231 million representing a 58% increase as compared to the corresponding six-month period in 1999. The unaudited net profit attributable to shareholders amounted to approximately HK\$4.3 million representing a 7% increase over the corresponding period last year.

The Group achieved moderate revenue growth in the period in the midst of sluggish world-wide technology market. The Group's profit margins slightly decreased somewhat due to the investments in incremental human resources (mainly R&D and sales), set-up costs of two software centres and the development expenses of e-Trading ASP.

## **USE OF PROCEEDS**

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.

During the period, the Company made a loan repayment of approximately HK\$5 million to an independent third party and invested approximately HK\$4.5 million in setting up two software centres and several research and development projects 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 solution and IT consulting services for its customers, focusing on the PRC and Hong Kong market.

To attain this long term business goal, the Group has set out five strategies, on 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 the six months ended 31 December 2000 is summarized as follows:

### **a) e-Logistics Development**

Leveraging off internally developed global positioning system ("GPS") and radio frequency ("RF") based IT solutions and experience gained from completed projects, the Group began development of the e-Logistics system, a standardised overall solution for the logistics and warehousing industry. The business plan for the total e-Logistics solutions has been completed and the e-Fulfillment Module structure has been constructed. More programmers at the Guangzhou software centre have been recruited for this initiative. Several new strategic business alliances have been identified for future business development opportunities.

### **b) e-Billing Development**

A sound, comprehensive and efficient billing system is of paramount importance in the e-commerce environment, particularly for telecommunication network operators and for the development of internet trading, including e-commerce, in Asia Pacific where advanced technologies are in high demand. The development of an e-Billing application for the telecommunications industry is progressing as planned. Additional modules for usage management have been developed to cater to the ever changing demands of the market. The Group continues to amend marketing strategies closely to meet the user requirements.

### **c) e-Trading ASP Development**

Beta tests on various applications were conducted with satisfactory results and the e-Trading ASP was completed. The Group has been doing marketing campaigns and will roll out its ASP system at the Stock Exchange in the early 2001 primarily focusing on group C securities companies. The Group is aware of the market trend in the PRC and continues to explore the need to develop an e-Trading ASP for the PRC. Talented and experienced technical staff have been recruited to enable the Group to be an industry pioneer. Strategic business partners have been identified and the Group is now in further discussions to strengthen collaborative ties. There are significant opportunities in the e-Trading arena given the substantial increase of the number of Internet trading users and the cost savings benefitting users and providers. After launching this service in the volatile Hong Kong financial market, the Group is confident in its technologies, expertise and track record, which will enable the Group to expand to international markets.

#### **d) Strengthening Research and Development Capabilities**

The Group has set up two software centers in Guangzhou and Shanghai. The centre in Shanghai teamed up with the Tongji University to initially focus on the migration of software application from main-frame system architecture to open system architecture. In addition to developing software for the Group's major services, the centres also serve as a training platform to upgrade staff skills and knowledge through comprehensive hands-on training covering the latest industry developments. A wide range of research and development activities are underway to support the Group's e-Billing and e-Logistics initiatives.

#### **e) Strategic Investments, Acquisitions and Collaboration**

The Group continued its efforts to identify new application solutions and collaborative opportunities with strategic partners both in Hong Kong and the PRC. Additional resources were utilized to strengthen the Group's position in the telecommunications sector.

### **DEPLOYMENT OF HUMAN RESOURCES**

The total headcount of the Group increased by 70 from 286 to 356 during the period from 1 July 2000 to 31 December 2000. New teams of technical engineers were recruited for software projects in Guangzhou and Shanghai. Manpower is sufficient for the existing level of operations and the current headcount will be maintained in the near term. As at 31 December 2000, the Group had a total work force of 356 of which approximately 60% were technical staff.

### **PROSPECTS**

The volatile technology market experienced widespread consolidation last year. Given the major shifts in the global technology market, one of the Group's major considerations will be how to benefit from the shakeout while achieving our main business objectives.

The expanding Internet market, rapid rise in the number of Internet users and development of e-commerce activities in Hong Kong and the PRC is expected to create a strong demand for Internet deployment, Internet applications and outsourcing of IT services. The Group is well-positioned to capitalize on the opportunities created.

The PRC's entry into the World Trade Organization ("WTO") will foster the economic growth of all business sectors. There will be an increasing need for effective transportation and telecommunications links between the mainland and the outside world. The Group intends to leverage its experience in supporting telecommunication operator's billing and customer care needs and developing RF-based logistics solutions to benefit from the significant growth prospects.

Hong Kong needs to be well equipped with advanced technologies to maintain its position as a key financial centre in Asia. The Group's experience in developing the AMS/3 system for the Stock Exchange will differentiate the Group from the competition to capture a larger share of the securities trading market.

The mobile phone market in Hong Kong is another major focus area for the Group. Hong Kong is well known for its high mobile phone penetration rate and intensely competitive telecommunications environment. The Group believes the electronic Customer Relationship Management (“e-CRM”) system, part of the e-Billing system of the Group, will be increasingly important in differentiating the Group from the competitors in providing sophisticated value-added services.

The Group is well-prepared to meet the challenges ahead. The Board believes that the Group’s investment in R&D on product development is key to improving future performance and enhancing shareholder value. The Board is committed to improving operational efficiencies, providing value-added services to our customers and maintaining steady business growth.

## DIRECTORS’ INTERESTS IN SHARE CAPITAL

As at 31 December 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 31 December 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:

<b>Name 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
		<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.

## **EMPLOYEE SHARE OPTION SCHEME**

Pursuant to the Employee Share Option Scheme, 49 full time employees (including 2 directors) were granted options to subscribe for an aggregate of 12,986,000 shares at an exercise price of HK\$0.38 per share within the three years period commencing 22 November 2000. Details of the options granted to the directors are as follows:

<b>Name of directors</b>	<b>Exercise price</b>	<b>Number of shares Subject to the options</b>
Mr. Leung Yiu Chown, Desmond	HK\$0.38	1,000,000
Mr. Xu Jie	HK\$0.38	1,000,000

As at 13 February 2001, none of the Company's directors or employees exercised any share options and no allotment or issue of shares was made pursuant to the Employee Share Option Scheme. The total number of shares underlying the options granted is unchanged at 12,986,000 shares.

Save as disclosed in the Pre-IPO Plan and the Employee Share Option Scheme, at no time during the period 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 31 December 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:

<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.

## 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 Core Pacific-Yamaichi Capital Limited (the "Sponsor"), as at 12 February 2001, an employee of the Sponsor held a total of 28,000 shares in the Company.

Save as disclosed above, neither the Sponsor nor its directors nor employees nor any of their associates had any interest in the share capital of the Company.

Pursuant to the agreement dated 27 July 2000 entered with the Company, the Sponsor 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 February 2001