2001 Annual Report

ePRO

ePRO LIMITED

(Incorporated in the Cayman Islands with limited liability)

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 annoucements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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I am delighted to present the Group's annual report for the year ended 30 June 2001. The Group's successful listing on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited on August 2, 2000 laid a strong and solid foundation for the Group's future expansion and development.

The Group has undergone a significant transformation this year in response to rapidly changing market needs and challenges brought about by the stagnation of the Hong Kong economy this year. The changes were necessary to ensure that we maintain our position as one of the leading information technology solutions providers in Mainland of China and Hong Kong.

FINANCIAL HIGHLIGHTS

For the financial year ended 30 June 2001, the consolidated turnover of the Group was HK$431 million, an increase of 17% compared to last year. The Group recorded a consolidated loss attributable to shareholders of HK$46 million. The loss was mainly due to the cessation of the personal computer distribution unit in Hong Kong, provisions made for inventory and accounts receivable. The Board of Directors believes that the Group is now prepared for the continued economic slowdown of the Hong Kong market and is well-positioned to capture growth opportunities in the Mainland of China market.

BUSINESS OBJECTIVES REVIEW HIGHLIGHTS

(a) e-Logistics Development

e-Logistics is our standard overall solution for the logistics and warehousing industries which uses internally developed global positioning system and radio frequency based IT solutions. The construction and customization of the e-Fulfillment Module were completed successfully and smoothly. Sales and marketing activities to promote the solutions are underway.

(b) e-Billing Development

The Group has successfully penetrated into the fixed line telecommunications sector with our *e-Billing* system. Development of an *e-Billing* application and different modules relating to billing generation, credit control and order management has been completed as planned. We have been investigating new modules and technologies for the product to significantly enhance the features of this total solution when completed.

(c) e-Trading Development

The development of the *e-Trading* solution has been completed successfully and on schedule. All the Beta tests on various applications were conducted with satisfactory results and the testing with the Stock Exchange of Hong Kong has been completed. We will continue to identify new features and technology for the enhancement of the product based on feedback from customers and the changing industry environment.

BUSINESS OBJECTIVES REVIEW HIGHLIGHTS *(Continued)*

d) Strengthening Research and Development Capabilities

This year, we are very glad to have established a joint venture company, Shanghai Tongji Information Technology Co., Limited, with Shanghai Tongji University, one of the most established universities in the People's Republic of China (the "PRC"). The mission of this company is to provide high quality software application development services to wor1d-class organizations in China and overseas. The joint venture currently employs more than 40 professionals and is now experiencing high demand for its services with significant growth expected in the coming year.

PROSPECTS

We are cautiously optimistic about the overall IT industry. PRC's imminent accession to the World Trade Organization, the burgeoning Internet market, increasing number of Internet users and ongoing development of e-commerce activities in Hong Kong and the PRC are some of the key driving forces behind the growth of Internet applications and deployment, and the outsourcing of IT services.

The Group companies in Guangzhou, Shanghai and Beijing in the PRC, together with their synergistic portfolio of subsidiaries and representative offices, demonstrated outstanding performance in the financial year. To capture the growing trends and tremendous business opportunities, the Group will increase its focus and commitment in allocating more resources in these regions.

Looking forward, the Group is committed to become a major player in the industry by revamping its marketing strategies, investing in product development, streamlining operations, providing value-oriented services to customers and maintaining steady business growth to improve profitability and enhance shareholder value. Leveraging on management's experience and in-depth knowledge of the market, the Group is confident and optimistic in its long-term development. The Directors believe that the Group's business will show substantial recovery and significant improvement in the coming years.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank our vendors, customers, bankers, and shareholders for their continuous trust and support, and to thank our business partners and all valued staff members for their contribution and dedication in the past year.

On behalf of the Board
Kwong Chak Chung
Chairman

Hong Kong, 24 September 2001

FINANCIAL REVIEW

For the financial year ended 30 June 2001, the Group recorded a turnover of HK$430,638,000, representing an increase of 17% from last year. The loss attributed to shareholders amounted to HK$46,146,000. The factors contributing to the loss are explained below.

The first and second quarters of the calendar year 2001 (coinciding with the third and fourth quarters of the financial year ended 30 June 2001) were one of the most dismal periods for the IT industry in a decade. A sharp deterioration in market conditions persisted along with a price war especially in hardware trading. To avoid further setbacks, the Group decided to cease the personal computer distribution business line in Hong Kong at the end of the financial year of 2001 which resulted in large losses due to the lack of support from major vendors and an inventory provision made for the discontinued business line.

In view of the sluggish market conditions, the management has adopted a conservative approach in assessing the value of the recoverability of accounts receivable and the provisions were made as a prudent measure in facing the economic woes.

The use of the ASP (Application Services Provider) as an internet trading approach is still in the initial stage. The expected revenues and returns are below the management's expectation that contributed to the loss in this year. Undoubtedly, the Group is one of the pioneers in providing internet trading solutions and continues to be optimistic for improved returns in the near future.

Apart from the above, the increase in resources allocated to research and development was also a significant factor contributing to the loss of the Group. Nevertheless, the Group is committed to the importance of continuous research and development and believes that the investment is likely to generate returns in the coming years.

In line with the gloomy property market conditions in Hong Kong, the Group performed a revaluation at the end of the financial year. A deficit on revaluation of leasehold land and buildings was provided in order to reflect the market value of land and buildings.

To stay ahead in the industry and sharpen the Group's competitiveness, a re-engineering exercise was carried out in the fourth quarter of the financial year. The Group adopted strict cost control measures to maximize the use of all its resources. The Group also streamlined its operations by downsizing approximately one quarter of the manpower in Hong Kong and additional costs have been incurred in the restructuring and downsizing effort.

As a result of the factors noted above, the Group incurred a substantial loss for the financial year of 2001. The management believes that the market is now undergoing a period of consolidation and many competitors have already ceased their operations. Despite the poor operating environment in the year under review, the Group is still optimistic on the huge market potential in the PRC where the Group is well positioned for its future growth.

BUSINESS OBJECTIVES AND PROGRESS REVIEW

To attain our 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 over the last 12 months is explained as follows:

(a) e-Logistics Development

Key Business Objectives for the Year Ended 30 June 2001	Actual Achievements
• Substantially complete the e-Fulfillment module	• The construction and customization of the e-Fulfillment module were completed successfully and smoothly in the third quarter of the financial year of 2001.
• Formulate sales and marketing strategies for the e-Fulfillment module in Hong Kong	• Sales and marketing resources have been attributed to the promotion of the solution especially in the PRC. The Company has several projects for harbour ports in the PRC which are close to the final stage of negotiation and expects the negotiation will be completed in the second quarter of the financial year of 2002.
• Begin to study the market potential of the e-Fulfillment ASP in Hong Kong and the PRC	• Due to weak ASP demand in Hong Kong and the PRC, the Group has postponed the launching of ASP system to the next year for further review at that time.
• Begin to develop the basic e-Despatch module of the total e-Logistics solution	• e-Despatch is currently at the early stage of development as scheduled. To enhance our competence, the Group has employed three additional professionals and reputable experts to strengthen the research and development team in Shanghai, PRC.
• Actively seek business strategic partners in the transportation, warehousing and distribution sectors in Hong Kong.	• We have contacted four to five potential partners and terms and conditions of the agreements are under initial stage of negotiation.

(b) e-Billing Development

Key Business Objectives for the Year Ended 30 June 2001	Actual Achievements
• Develop additional modules relating to billing generation, credit control and order management	• Development of an e-Billing application and different modules relating to billing generation, credit control and order management have been completed in the fourth quarter of the financial year of 2001.
• Continue to identify the latest market demand and technological requirements of the features of the total e-Billing solution	• The Group has been continuing to define new opportunities and functionality of the product to cope with the latest market trend. Since early 2001, a renowned public service entity in the PRC has been working closely with the Group to study the feasibility of utilizing modules of this e-Billing system to enhance their existing operating systems.
• Continue to upgrade and modify the developed modules in response to the changing environment	• The Group successfully penetrated into the fixed line telecommunications sector with its e-Billing system. The unprecedented competitions amongst telecommunication operators and carriers have provided many new opportunities for e-Billing. Further researching into new modules and technologies for the product to significantly enhance the features of this total solution are in progress.
• Expand the marketing team in Shanghai and Shenzhen, the PRC to cater for business growth	• In view of the ripeness of the telecom industry in Shanghai, a number of existing professionals have been assigned to carry out the sales and marketing of the product in the area.

(c) e-Trading ASP Development

Key Business Objectives for the Year Ended 30 June 2001	Actual Achievements
• Conduct comprehensive marketing campaigns for the e-Trading ASP in Hong Kong	• Although the response to online securities trading was poorer than the Group expected due to the weak economy in Hong Kong, the Group has continued on the sales and marketing of the product as scheduled and achieved a rewarding result. We established alliances with a number of brokerage houses and services commenced on May 2001. The successful launch of online trading services for these customers, together with their satisfaction, has proven the market needs for the ASP model.
• Identify new features and technology for the enhancement of the e-Trading ASP after taking into consideration of the feedback from the customers	• The development of the e-Trading solution has been completed successfully in the fourth quarter of the financial year of 2001. All the Beta tests on various applications were conducted with satisfactory results and the testing with the Stock Exchange has been completed. The Group will continue to identify new features and technology for the enhancement of the product after taking into consideration of feedback from customers and the changing industry environment.
• Begin to study the application of e-Trading ASP for other trading products	• Using the experience and knowledge we gained from developing this product, the Group is studying the opportunities of utilizing e-Trading for trading of other financial products, as well as developing a new platform for online trading of these products.
• Identify strategic investment opportunities in other e-Trading service providers or related businesses	• Due to uncertainty on the economy, the Group is very conservative on any investment opportunities. There is no significant investigation on any potential e-Trading service providers in the year.

(d) Strengthening Research and Development Capabilities

Key Business Objectives for the Year Ended 30 June 2001	Actual Achievements
• Begin solution development in accordance with the engineering plan, if applicable	• In the second quarter of the financial year of 2001, a significant accomplishment was the establishment of a joint venture, Shanghai Tongji Information Technology Co., Limited, with Shanghai Tongji University, one of the most established universities in the PRC. The mission of the joint venture company is to provide high quality software application development services to world-class organizations in the PRC and overseas. The joint venture company currently employs more than 40 professionals and is now experiencing high demand of its services. The services of the joint venture company is expected to grow significantly in the coming year. • Over the past year, this joint venture company has completed a number of successful large-scale IT projects including client server applications, Web portal projects, and IBM mainframe downsizing projects for a number of entities in the region. All of these projects were completed to the full satisfaction of the customers. • In addition to this newly established joint venture company, the Group also formed a software center in Guangzhou, PRC. The center, together with the one in Tongji, is undergoing a wide range of research and development activities to support the Group's e-Billing and e-Logistics initiatives. They also serve as a training platform to upgrade skills and knowledge of the staff through a comprehensive training program. • The Group will continue to adopt the strategy of strengthening its technological research and development efforts. The management believes that products and services can only be improved through quality R&D, and outstanding products and services guarantee customer satisfaction and loyalty.
• Perform regular engineering review on the progress of each development, if applicable	• Reviews are carefully conducted to ensure quality of each development.

(e) Strategic investments, acquisitions and collaboration

Key Business Objectives for the Year Ended 30 June 2001	Actual Achievements
• Identify new application solutions developed by other academic institutions and global technology centers and other related IT companies that have market potential for exclusive licensing, alliance or acquisition	• Due to the stagnation of the Hong Kong economy, the Group has become more conservative in its investment, acquisition and collaboration. The Group has identified a few acquisition opportunities with high market potential in Hong Kong and the PRC which are in the early stage of negotiation.

DEPLOYMENT OF HUMAN RESOURCES

The Group is very proud to have a number of new members joining its professional teams. During the financial year ended 30 June 2001, the number of staff of the Group increased from 280 to 420, a growth of an approximately 50 per cent. Over 60 per cent of the new staff are technical professionals and experts stationed in the software research and development centers in the PRC. Human resources is the most valuable asset to the Group, thus many training and learning programmes have been provided to the staff to equip them with the latest information on the most up-to-date technologies.

USE OF PROCEEDS

As a result of the listing of the Company's shares on the GEM in Hong Kong and the share placement, the Company obtained net proceeds of approximately HK$71 million. The net proceeds have been applied in the following areas:

	Use of proceeds as stated in the Prospectus HK$ million	Revised HK$ million	Amount utilized up to 30 June 2001 HK$ million
1. Research and development of existing and new software products and solutions	36.6	25.0	9.0
2. Establishment of software centres, co-operation with academic institutions and other related IT companies	21.0	21.0	2.0
3. Marketing and promotion activities for new software products and solutions	8.4	8.4	2.0
4. Repayment of an independent third party loan	5.0	5.0	5.0
5. Working capital	—	11.6	—
	71.0	71.0	18.0

In view of the adverse changes in market conditions and investment climate in the IT industry, the Directors believe that it will be in the best interests of the Group to adopt a more conservative approach in the use of proceeds as stated in the Prospectus. Since the actual salaries and wages were lower than projection and the number of headcount has been revised downward, the total amount of proceeds used for research and development has been revised from HK$36.6 million to approximately HK$25 million. The amount of proceeds used for establishment of software centres, co-operation with academic institutions and other related IT companies will depend on the opportunities identified by the Company and subsequent evaluation and negotiations with those parties identified in the future. The unutilized proceeds which amounted to approximately HK$53 million were temporarily placed on short-term deposits with banks in Hong Kong as general working capital of the Group. The Directors confirm that there is no material change to the general nature of business and no change in the business objectives of the Company as disclosed in the Prospectus.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
KWONG Chak Chung *(Chairman)*
YIP Sam Lo *(Managing Director)*
LEUNG Yiu Chown, Desmond
XU Jie

Independent Non-executive Directors
TAI Kar Ping, Noreen
David Egryn JONES

COMPANY SECRETARY

WONG Huk Yung, Hudson

QUALIFIED ACCOUNTANT

WONG Huk Yung, Hudson

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 & Lo

AUDITORS

Ernst & 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

COMPANY WEBSITE

http://www.epro.com.hk

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 Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia
The Shanghai Commercial Bank
Hang Seng Bank

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 50, 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 26 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 close to 10 years. Mr. Kwong graduated from the Iowa State University, 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 53, 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 48, 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 17 years of experience in the IT industry and was the head of 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. XU Jie, aged 38, is a director of the Group and the country manager of the Group's operations in the PRC. He joined the Group in 1994. He has over 19 years of experience in the IT industry. Prior to joining the Group, Mr. Xu was the head of the computing department in Guangzhou Railway Bureau for over 10 years, and was also a general manager of a large computer company. Mr. Xu graduated from the South China Normal University, Guangzhou, PRC with a certificate in Computing Science.

DIRECTORS *(Continued)*

Independent Non-executive Directors

Ms. TAI Kar Ping, Noreen, aged 30, has 10 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 the Hong Kong Society of Accountants. Ms. Tai holds a Bachelor's degree of Commerce from the University of Calgary, Canada.

Mr. David Egryn JONES, aged 57, has more than 25 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 the Middle East. Mr. Jones holds a Bachelor's degree in Physics (honors) from the University of Wales, United Kingdom.

SENIOR MANAGEMENT

Mr. CHAN Kwok Bun, Johnny, aged 46, is the managing director of the Group's 55 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. WEN Yi Nian, Gorvin, aged 39, is the general manger of the Guangzhou operation. He joined the Group in 1995. Mr. Wen has worked in the computing and information technology industries for more than ten years, and has solid experience in management. Mr. Wen graduated from Guangzhou ZhongShan University with a certification in Radio Electronic.

Mr. CHIU Sin Ping, Patrick, aged 43, is the Chief Operating Officer of the Hong Kong operations. He joined the Group in May 2001. Prior to joining the Group, Mr. Chiu worked in a multinational consulting firm and was responsible for project management and enterprise transformation for various business sectors. Mr. Chiu has more than 18 years of experience in IT management, customer support and services, and development and implementation of information systems in the UK, Australia, Japan, the PRC and South East Asian countries. He holds a Master's degree in Applied Science, Information Science from the University of Technology, Australia.

Mr. WONG Tak, aged 43, 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 19 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.

SENIOR MANAGEMENT *(Continued)*

Mr. CHU Man Kin, Danny, aged 35, 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.

Mr. TSUNG Shih Kin, Samuel, aged 50, 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.

Mr. WONG Huk Yung, Hudson, aged 35, is the financial controller of the Group. He joined the Group in 2000 and is responsible for the strategic planning, finance and accounting of the Group. He worked in a multinational corporate before joining the Group and has solid experience in auditing, finance and business management. Mr. Wong holds a Bachelor's degree in Economics and Accounting from the University of Reading, England.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Members of EPRO LIMITED (the "Company") will be held at Lotus Room, 6/F, The Marco Polo Hong Kong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong on Monday, 29 October 2001 at 9:30 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries and reports of the directors and of the auditors for the year ended 30 June 2001;

2. To elect directors and to authorise the Board of Directors to fix directors' remuneration;

3. To re-appoint auditors and to authorise the Board of Directors to fix auditors' remuneration;

4. To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "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 purchase shares of HK$0.10 each in the capital of the Company on the Growth Enterprise Market (the "GEM") of 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 accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

   (b) the total nominal amount of shares which the Directors are authorised to purchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the shares in issue as at the date of passing of this Resolution and the said 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 revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meetings; and

      (iii) 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 or any applicable laws to be held";

5. To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT:

(a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company (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 each in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and 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 which would or might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);

(c) the total 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 option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not in total exceed 20% of the total nominal amount of the issued share capital of the Company as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(d) 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 revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meetings; and

(iii) 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 or any applicable laws to be held; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors to the holders of shares of the Company whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions 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 any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong applicable to the Company)."; and

6. To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "**THAT** subject to the passing of the Resolutions numbered 4 and 5 set out in the notice of this meeting, the general mandate granted to the Directors pursuant to Resolution numbered 5 set out in the notice of this meeting and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of the total nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution numbered 4 set out in the notice of this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the total nominal amount of the issued share capital of the Company as at the date of passing of this Resolution.".

By order of the Board
KWONG Chak Chung
Chairman

Hong Kong, 24 September 2001

Notes:

1. A member of the Company entitled to attend and vote at the above-mentioned Annual General Meeting may appoint more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

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 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 fixed for holding the meeting.

3. The register of members of the Company will be closed from Wednesday, 24 October 2001 to Monday, 29 October 2001, 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, 23 October 2001.

4. The Annual Report containing this notice together with a circular setting out further information regarding Resolutions numbered 4 to 6 above will be despatched to the shareholders of the Company as soon as practicable.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2001.

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.

Pursuant to a reorganisation ("Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong (the "Stock Exchange"), on 8 July 2000, the Company acquired the entire issued share capital of *e*PRO (BVI) Limited, the then holding company of the other subsidiaries set out in note 12 to the financial statements and became the holding company of the companies now comprising the Group. Further details of the Reorganisation are set out in note 1 to the financial statements and the prospectus of the Company dated 27 July 2000.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 12 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations for the years ended 30 June 2001 and 2000 is as follows:

	Turnover		**Contribution to profit/(loss) from operating activities**	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Distribution of computer equipment	**82,106**	71,897	**(38,223)**	869
Value of professional IT contract services	**348,532**	297,525	**(6,085)**	17,976
	430,638	369,422	**(44,308)**	18,845
By geographical area:				
People's Republic of China ("PRC"):				
Hong Kong	**179,173**	161,975	**(47,703)**	3,191
Elsewhere	**246,639**	202,930	**4,466**	15,584
Singapore	**4,826**	4,517	**(1,071)**	70
	430,638	369,422	**(44,308)**	18,845

RESULTS AND DIVIDENDS

The Group's loss for the year ended 30 June 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 65.

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

SUMMARY 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.

To ensure consistency of presentation and for comparison purposes, the consolidated results for the four years ended 30 June 2001 and the assets and liabilities of the Group as at 30 June 2001, 2000 and 1999 are presented below on the basis that the current Group structure had been in existence throughout the said period. The summary financial information as at 30 June 2000 and 1999 and for the two years then ended and the summary financial information for the year ended 30 June 1998 have been extracted from the Company's annual report dated 27 September 2000 and its prospectus dated 27 July 2000, respectively.

	Year ended 30 June			
	2001	2000	1999	1998
	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**430,638**	369,422	261,365	240,219
Other revenue	**4,218**	712	591	667
Cost of goods sold	**(349,498)**	(275,885)	(185,038)	(177,748)
Selling and distribution costs	**(28,090)**	(17,583)	(8,106)	(4,198)
Administrative expenses	**(93,068)**	(57,483)	(58,062)	(52,166)
Other operating expenses	**(8,508)**	(338)	(1,443)	—
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**(44,308)**	18,845	9,307	6,774
Deficit on revaluation of leasehold land and buildings	**(1,020)**	(3,286)	—	—
Finance costs	**(3,931)**	(3,328)	(2,887)	(2,023)
Share of profits of associates	**164**	55	18	5
PROFIT/(LOSS) BEFORE TAX	**(49,095)**	12,286	6,438	4,756
Tax	**(1,080)**	(2,430)	(1,175)	(1,043)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	**(50,175)**	9,856	5,263	3,713
Minority interests	**4,029**	(1,262)	(1,059)	(789)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(46,146)**	8,594	4,204	2,924

SUMMARY FINANCIAL INFORMATION *(Continued)*

ASSETS AND LIABILITIES

	30 June		
	2001	2000	1999
	HK$'000	HK$'000	HK$'000
Total assets	**229,161**	189,812	137,261
Total liabilities	**(150,007)**	(134,867)	(99,977)
Minority interests	**(8,505)**	(9,486)	(4,224)
	70,649	45,459	33,060

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 12 to the financial statements.

BORROWINGS

Details of interest-bearing bank and other borrowings of the Group are set out in notes 17 and 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in note 20 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES

The share premium account, in accordance with the Companies Law (2000 Revision) of the Cayman Islands, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares. At 30 June 2001, the Company did not have any reserve available for distribution.

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 the existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Other than in connection with the Company's initial public offering on the GEM of the Stock Exchange on 2 August 2000, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year and up to the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for 31% of the total sales for the year and sales to the largest customer included therein amounted to 18%.

Purchases from the Group's five largest suppliers accounted for 63% of the total purchases for the year and purchases from the largest supplier included therein amounted to 26%.

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 interests in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:
Mr. Kwong Chak Chung *(Chairman)*
Mr. Yip Sam Lo *(Managing Director)*
Mr. Leung Yiu Chown, Desmond
Mr. Xu Jie
Mr. Lee Sai Yeung

Independent non-executive directors:
Ms. Tai Kar Ping, Noreen
Mr. David Egryn JONES

Subsequent to the balance date, on 24 July 2001, Mr. Lee Sai Yeung resigned as an executive director of the Company and was appointed as a non-executive director. On 8 September 2001, Mr. Lee Sai Yeung resigned as a non-executive director of the Company.

DIRECTORS *(Continued)*

In accordance with article 87 of the Company's articles of association, Mr. Leung Yiu Chown, Desmond will retire, and being eligible, offer himself 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 11 to 13.

EMOLUMENTS OF DIRECTORS

Details of the directors' emoluments are as follows:

	2001	2000
	HK$'000	HK$'000
Fees:		
Executive directors	**240**	—
Non-executive directors	**240**	—
Other emoluments of executive directors:		
Basic salaries, other allowances and benefits	**2,534**	2,832
Discretionary bonuses	**—**	843
Pension contributions	**81**	80
	3,095	3,755

The number of executive directors and non-executive directors whose emoluments fell within the band of Nil to HK$1,000,000 is 5 and 2, respectively.

Four (2000: three) executive directors received emoluments of HK$951,000 (2000: HK$1,548,000), HK$884,000 (2000: HK$1,274,000), HK$780,000 (2000: HK$933,000) and HK$240,000 (2000: Nil), respectively, for the year ended 30 June 2001 and the remaining one (2000: two) director did not receive any emoluments.

Two (2000: Nil) non-executive directors received emoluments of HK$120,000 (2000: Nil) and HK$120,000 (2000: Nil), respectively, for the year ended 30 June 2001.

EMOLUMENTS OF DIRECTORS *(Continued)*

Share options to subscribe for a total of 29,725,752 shares of the Company were granted to certain executive directors of the Company during the year. In the absence of a readily available market value for options on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of these options. Accordingly, no value is included in the directors' emoluments in respect of the share options granted.

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 during the year.

FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2000: three) directors, details of whose emoluments are set out above. The details of the emoluments paid to the remaining three (2000: two) highest paid non-director individuals during the year are set out below:

	2001	2000
	HK$'000	HK$'000
Basic salaries, other allowances and benefits	**2,777**	1,576
Pension contributions	**61**	9
	2,838	1,585

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

	2001	2000
	Number of individuals	Number of individuals
Nil - HK$1,000,000	**2**	2
HK$1,000,001 - HK$1,500,000	**1**	—

Share options to subscribe for a total of 200,000 shares of the Company were granted to one of the highest paid individuals of the Company during the year. In the absence of a readily available market value for options on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of these options. Accordingly, no value is included in the emoluments in respect of the share options granted.

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 25 to the financial statements, no director had a material interest, either direct or indirect, in any contracts 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.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 June 2001, 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

		Number of issued shares		
		Personal	**Corporate**	
Director	Notes	**interests**	**interests**	**Total**
Mr. Yip Sam Lo	1	—	518,919,250	518,919,250
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 56.40% 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.

DIRECTORS' INTERESTS IN SHARE CAPITAL *(Continued)*

Interests in associated corporations

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, none of the directors or their associates had any personal, family, corporate or other interests in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance, as recorded in the register required to be kept under section 29 of the SDI Ordinance as an otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of listed issuers as referred to in rule 5.40 of the GEM Listing Rules.

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 the shares of the Company had been granted on 26 July 2000 as follows:

Name of grantee	Exercise period	Exercise price	Number of shares subject to the options as at 30 June 2001
		HK$	
Mr. Kwong Chak Chung	2 February 2001 to 23 July 2010	0.70	8,212,041
Mr. Yip Sam Lo	2 February 2001 to 23 July 2010	0.70	13,699,083
Mr. Leung Yiu Chown, Desmond	2 February 2001 to 23 July 2010	0.70	3,814,628
			25,725,752

No option was exercised under the Pre-IPO Plan up to the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Pursuant to 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. Options for subscribing the shares of the Company had been granted to the executive directors on 22 November 2000 and 23 March 2001 as follows:

Name of grantee	**Exercise period**	**Exercise price**	**Number of shares subject to the options as at 30 June 2001**
		HK$	
Mr. Leung Yiu Chown, Desmond	22 November 2000 to 21 November 2003	0.38	1,000,000
Mr. Xu Jie	22 November 2000 to 21 November 2003	0.38	1,000,000
	23 March 2001 to 22 March 2004	0.228	2,000,000
			4,000,000

None of the above two directors exercised their share options granted under the Scheme up to the date of this report.

Further details of the Pre-IPO Plan and the Scheme are set out in note 20 to the financial statements.

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 arrangements to enable the Company's directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2001, 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	518,919,250
Araucarea	518,919,250

Comlink owned 518,919,250 shares of the Company. Araucarea owned 51.61% of the issued share capital of Comlink. Accordingly, Araucarea was deemed to be interested in the 518,919,250 shares of the Company owned by Comlink.

The above interests have also been disclosed as corporate interests of Mr. Yip Sam Lo in the above section headed "Directors' interests in share capital".

Save as disclosed above, no person, other than the directors of the Company whose interests are set out above, 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.

SPONSOR'S 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 of 268,000 shares as at 30 June 2001 and on the date of this report, neither CPY nor its directors or employees had any interests, in the share capital of the Company as at 30 June 2001 and on the date of this report.

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 the financial reporting process and internal control of the Group. The Committee comprises Mr. Yip Sam Lo and the two independent non-executive directors, Ms. Tai Kar Ping, Noreen and Mr. David Egryn JONES. The Group's financial statements for the year ended 30 June 2001 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. The audit committee held four meetings since its formation in July 2000.

COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, have engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with 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
24 September 2001

REPORT OF THE AUDITORS

ERNST & YOUNG
安永會計師事務所

To the members
***e*PRO Limited**
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 31 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

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 and the Group'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 and of the Group as at 30 June 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
24 September 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 June 2001

	Notes	2001 HK$'000	2000 HK$'000
TURNOVER	4	**430,638**	369,422
Other revenue	4	**4,218**	712
Cost of goods sold		**(349,498)**	(275,885)
Selling and distribution costs		**(28,090)**	(17,583)
Administrative expenses		**(93,068)**	(57,483)
Other operating expenses		**(8,508)**	(338)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	**(44,308)**	18,845
Deficit on revaluation of leasehold land and buildings	6	**(1,020)**	(3,286)
Finance costs	7	**(3,931)**	(3,328)
Share of profits of associates		**164**	55
PROFIT/(LOSS) BEFORE TAX		**(49,095)**	12,286
Tax	8	**(1,080)**	(2,430)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**(50,175)**	9,856
Minority interests		**4,029**	(1,262)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9, 21	**(46,146)**	8,594
Earnings/(loss) per share (HK cents)	10		
Basic		**(5.3)**	1.1
Diluted		**(5.3)**	N/A

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 30 June 2001

	Notes	**2001**	2000
		HK$'000	HK$'000
Exchange differences on translation of the financial statements of foreign subsidiaries	21	**(204)**	51
Net profit/(loss) from ordinary activities attributable to shareholders	21	**(46,146)**	8,594
Total recognised gains and losses		**(46,350)**	8,645

CONSOLIDATED BALANCE SHEET

30 June 2001

	Notes	2001 HK$'000	2000 HK$'000
NON-CURRENT ASSETS			
Fixed assets	11	**33,367**	27,982
Interests in associates	13	**1,246**	318
		34,613	28,300
CURRENT ASSETS			
Inventories	14	**14,748**	14,311
Trade receivables		**95,337**	112,559
Prepayments, deposits and other receivables		**12,697**	12,533
Due from associates	13	**123**	87
Pledged time deposits		**—**	6,358
Cash and cash equivalents	15	**71,643**	15,664
		194,548	161,512
CURRENT LIABILITIES			
Trade payables and accrued liabilities		**87,483**	77,968
Deposits received		**2,056**	5,569
Deferred revenue		**1,965**	2,128
Tax payable		**4,252**	4,260
Due to associates	13	**2,569**	267
Due to a director	16	**—**	130
Interest-bearing bank and other borrowings	17	**43,696**	27,800
		142,021	118,122
NET CURRENT ASSETS		**52,527**	43,390
TOTAL ASSETS LESS CURRENT LIABILITIES		**87,140**	71,690
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	**7,152**	16,733
Finance lease payables	18	**834**	—
Deferred tax	19	**—**	12
		7,986	16,745
MINORITY INTERESTS		**8,505**	9,486
		70,649	45,459
CAPITAL AND RESERVES			
Issued capital	20	**92,000**	15,100
Reserves	21	**(21,351)**	30,359
		70,649	45,459

Kwong Chak Chung
Chairman

Yip Sam Lo
Managing Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 June 2001

	Notes	2001 HK$'000	2000 HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22(a)	**(18,851)**	(8,277)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**4,218**	712
Interest paid on loans and overdrafts		**(3,908)**	(3,328)
Interest element on finance lease payments		**(23)**	—
Net cash inflow/(outflow) from returns on investments and servicing of finance		**287**	(2,616)
TAX			
Overseas profits taxes paid		**(1,100)**	(407)
INVESTING ACTIVITIES			
Purchases of fixed assets		**(10,884)**	(11,917)
Proceeds from disposal of fixed assets		**18**	24
Increase in investment in an associate		**(764)**	—
Decrease/(increase) in pledged time deposits		**6,358**	(286)
Net cash outflow from investing activities		**(5,272)**	(12,179)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		**(24,936)**	(23,479)
FINANCING ACTIVITIES	22(c)		
Issue of share capital of a subsidiary		**—**	3,754
Issue of share capital of the Company		**84,000**	—
Share issue expenses		**(12,460)**	—
New other loans		**—**	13,500
Repayment of long term bank and other loans		**(5,721)**	(594)
Capital element of finance lease rental payments		**(136)**	—
Contribution from a minority shareholder		**3,950**	4,000
Net cash inflow from financing activities		**69,633**	20,660
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS – page 35		**44,697**	(2,819)

	Notes	2001 HK$'000	2000 HK$'000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS – page 34		**44,697**	(2,819)
Cash and cash equivalents at beginning of year		**(6,542)**	(3,723)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**38,155**	(6,542)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	**25,228**	15,664
Time deposits, with original maturity of less than three months when acquired	15	**46,415**	—
Bank overdrafts, secured	17	**(13,089)**	(11,446)
Trust receipt loans, secured and with original maturity of less than three months when acquired	17	**(20,399)**	(10,760)
		38,155	(6,542)

BALANCE SHEET

30 June 2001

	Notes	2001 HK$'000	2000 HK$
NON-CURRENT ASSETS			
Interests in subsidiaries	12	**20,482**	—
CURRENT ASSETS			
Due from subsidiaries	12	**6,865**	—
Other receivables		**277**	—
Cash and cash equivalents	15	**53,026**	0.10
		60,168	0.10
CURRENT LIABILITIES			
Due to a subsidiary	12	**1,748**	—
Accrued liabilities		**250**	—
		1,998	—
NET CURRENT ASSETS		**58,170**	0.10
		78,652	0.10
CAPITAL AND RESERVES			
Issued capital	20	**92,000**	0.10
Reserves	21	**(13,348)**	—
		78,652	0.10

Kwong Chak Chung
Chairman

Yip Sam Lo
Managing Director

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

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.

Pursuant to a reorganisation ("Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), on 8 July 2000, the Company acquired the entire issued share capital of *e*PRO (BVI) Limited, the then holding company of the other subsidiaries set out in note 12 to the financial statements and became 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 shares of the Company were listed on the GEM of the Stock Exchange on 2 August 2000.

The Reorganisation involved companies under common control, and for accounting purpose, the Company and its acquired subsidiaries are regarded and accounted for as a continuing group. The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented or since their dates of incorporation, if these are shorter periods, rather than from the date of their acquisitions pursuant to the Reorganisation. Accordingly, the consolidated results and cash flows of the Group for the years ended 30 June 2000 and 2001 include the results and cash flows of the Company and its subsidiaries with effect from 1 July 1999 or since their respective dates of incorporation, where these are shorter periods. The comparative consolidated balance sheet as at 30 June 2000 has been prepared on the basis that the Group had been in existence at that date.

All significant transactions and balances within the Group are eliminated on consolidation.

In the opinion of the directors, the consolidated financial statements prepared on this basis present more fairly the comparative results, cash flows and financial position of the Group as a whole.

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 Hong Kong Statements of Standard Accounting Practice ("SSAP"), 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.

Capital reserve

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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% - 33⅓%
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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of the 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.

SSAP 14 on leases has been revised and has been adopted for the first time in the preparation of the current year's consolidated financial statements. The revised SSAP 14 has introduced some amendments to the basis of accounting for leases, and to the related disclosures. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group's leasing arrangements have been modified and comparative amounts have been restated in order to achieve a consistent presentation (see notes 18 and 24).

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) from 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;

(b) from 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; and

(c) from interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and associates 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.

Cash equivalents

For the purpose of the consolidated 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 sheets classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits scheme

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme for employees in Hong Kong who were eligible and had elected to participate in the scheme. The assets of the scheme were held separately from those of the Group in an independently administered fund. Contributions were made based on a percentage of the participating employees' basic salaries and were charged to the profit and loss account as they became payable in accordance with the rules of the scheme. When an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group might be reduced by the relevant amount of forfeited contributions. The scheme was terminated on 30 November 2000.

Following the introduction of the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") in Hong Kong on 1 December 2000, the Group has restructured its retirement scheme arrangements to comply with the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employee's basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions vest fully with the employees when contributed into the MPF Scheme.

4. TURNOVER AND REVENUE

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

	Group	
	2001	2000
	HK$'000	HK$'000
Distribution of computer equipment	**82,106**	71,897
Value of professional IT contract services	**348,532**	297,525
Turnover	**430,638**	369,422
Interest income	**4,218**	712
Total revenue	**434,856**	370,134

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2001	2000
	HK$'000	HK$'000
Depreciation:		
Owned fixed assets	**5,753**	3,745
Leased fixed assets	**166**	—
Operating lease rentals in respect of land and buildings	**4,290**	2,586
Provision for doubtful trade receivables	**2,303**	217
Provision for inventories	**2,973**	121
Cancellation of purchase rebate entitlement^	**21,321**	—
Auditors' remuneration	**720**	650
Staff costs:#		
Wages and salaries	**59,075**	39,724
Pension contributions	**1,201**	878
Less: Forfeited contributions	**(146)**	(435)
Net pension contributions*	**1,055**	443
Loss on disposal of fixed assets	**105**	—
Exchange gains, net	**(389)**	(3,329)

^ This arose as a result of the discontinuation of the Group's personal computer distribution business in Hong Kong before 30 June 2001.

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES *(Continued)*

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 which is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Fees:		
Executive directors	**240**	—
Non-executive directors	**240**	—
Other emoluments:		
Executive directors:		
Basic salaries, other allowances and benefits in kind	**2,534**	2,832
Discretionary bonuses	**—**	843
Pension contributions	**81**	80
Non-executive directors	**—**	—
	3,095	3,755

The above remuneration was paid to four (2000: three) executive directors and two (2000: Nil) non-executive directors. Four (2000: three) executive directors received emoluments of HK$951,000 (2000: HK$1,548,000), HK$884,000 (2000: HK$1,274,000), HK$780,000 (2000: HK$933,000) and HK$240,000 (2000: Nil), respectively, for the year ended 30 June 2001. Two (2000: Nil) non-executive directors received emoluments of HK$120,000 (2000: Nil) and HK$120,000 (2000: Nil), respectively, for the year ended 30 June 2001.

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

Share options to subscribe for a total of 51,541,752 shares of the Company were granted to certain executive directors and employees of the Company during the year. In the absence of a readily available market value for options on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of these options. Accordingly, no value is included in staff cost and directors' remuneration in respect of the share options granted.

* At 30 June 2001, no forfeited contribution was available to the Group to reduce its contributions to the pension scheme in future years (2000: 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, details of which are set out in note 11 to the financial statements, was incorporated in the financial statements for the year ended 30 June 2000 in compliance with the Rules Governing the Listing of Securities on the GEM on the Stock Exchange.

A revaluation on the leasehold land and buildings of the Group was performed at 30 June 2001, details of which are set out in note 11 to the financial statements.

7. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest expenses on bank loans and overdrafts	**2,672**	2,475
Interest expenses on other loans	**1,236**	853
Interest expenses on finance leases	**23**	—
Total finance costs	**3,931**	3,328

8. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits in Hong Kong (2000: Nil).

Taxes 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.

	Group	
	2001	2000
	HK$'000	HK$'000
Provision for the year - elsewhere	**1,092**	2,430
Deferred tax credit *(note 19)*	**(12)**	—
Tax charge for the year	**1,080**	2,430

9. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$38,347,000 (2000: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$46,146,000 (2000: net profit of HK$8,594,000) and the weighted average number of 866,556,493 (2000: 800,000,000) shares of the Company, calculated based on the assumption that the Reorganisation as further described in note 1 to the financial statements had been completed on 1 July 1999.

The calculation of diluted loss per share for the year ended 30 June 2001 is based on the net loss from ordinary activities attributable to shareholders for the year of HK$46,146,000. The weighted average number of shares used in the calculation is the sum of 866,556,493 shares in issue during the year, as used in the basic loss per share calculation, and the weighted average of 316,954 shares assumed to have been issued upon the exercise of all share options outstanding during the year. Diluted earnings per share for the year ended 30 June 2000 has not been calculated as no diluting event existed during that year.

11. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment and software HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At beginning of year	12,282	4,123	3,500	19,070	1,817	40,792
Additions	—	1,009	1,792	8,788	1,019	12,608
Disposals	—	—	—	—	(200)	(200)
Deficit on revaluation *(note 6)*	(1,300)	—	—	—	—	(1,300)
Exchange adjustments	(189)	104	(143)	28	(45)	(245)
At 30 June 2001	10,793	5,236	5,149	27,886	2,591	51,655
Accumulated depreciation:						
At beginning of year	—	2,068	2,096	7,385	1,261	12,810
Provided during the year	299	853	700	3,807	260	5,919
Disposals	—	—	—	—	(77)	(77)
Revaluation *(note 6)*	(280)	—	—	—	—	(280)
Exchange adjustments	(3)	(49)	(27)	48	(53)	(84)
At 30 June 2001	16	2,872	2,769	11,240	1,391	18,288
Net book value:						
At 30 June 2001	10,777	2,364	2,380	16,646	1,200	33,367
At 30 June 2000	12,282	2,055	1,404	11,685	556	27,982

The valuation of the Group's leasehold land and buildings is analysed as follows:

	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Long term lease	—	293	293
Medium term lease	10,500	—	10,500
	10,500	293	10,793

The Group's leasehold land and buildings in Hong Kong are stated at valuation, on an open market existing use basis, performed by Jones Lang LaSalle Limited, international property consultants at 30 June 2001.

11. FIXED ASSETS *(Continued)*

The Group's leasehold land and buildings in the PRC are stated at valuation, on an open market existing use basis, performed by Chesterton Petty Limited, international property consultants at 31 May 2000. No revaluation was performed as at 30 June 2001 as, in the opinion of the directors, there was no material fluctuation between the value of the leasehold land and buildings at the balance sheet date and their acquisition cost.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$15,272,000 (2000: HK$15,568,000) as at 30 June 2001.

At 30 June 2001, the Group's land and buildings in Hong Kong with an aggregate carrying value of HK$10,500,000 (2000: HK$11,800,000) were pledged to secure banking facilities granted to the Group (note 17(a)).

Included in the total amount of fixed assets at 30 June 2001 is the net book value of assets held under finance leases amounting to HK$1,558,000 (2000: Nil).

12. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	**45,459**	—
Provision for diminution in value	**(24,977)**	—
	20,482	—
Due from subsidiaries	**21,888**	—
Provision for an amount due from a subsidiary	**(15,023)**	—
	6,865	—
Due to a subsidiary	**(1,748)**	—
	5,117	—
	25,599	—

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

12. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company Direct	Indirect	Principal activities
*e*PRO (BVI) Limited	British Virgin Islands	Nil	100	—	Investment holding
ERPO 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
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	Investment holding and provision of professional IT contract services
EPRO Technology Limited	Hong Kong	HK$1,000,000	—	100	Investment holding
EPRO Computer Systems (Guangzhou) Company Limited	PRC	HK$6,000,000	—	100	Provision of professional IT contract services

12. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company Direct	Indirect	Principal activities
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
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
EPROBJLIB Information Technology Limited	PRC	US$150,000	—	51	Provision of professional IT contract services
Dillion Enterprises Corp.	British Virgin Islands	US$1	—	100	Provision of professional IT contract services
eTradeGo Limited	British Virgin Islands	US$1,282,050	—	55 (2000: 60)	Investment holding

12. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company Direct	Indirect	Principal activities
2GoTrade.com Limited	Hong Kong	HK$4,000,000	—	55 (2000: 60)	Provision of Application Services Provider services
Guangzhou EPRO Computer Systems Limited	PRC	HK$1,500,000	—	— (2000: 90)	In liquidation

13. INTERESTS IN ASSOCIATES

	Group 2001 HK$'000	2000 HK$'000
Share of net assets	**1,246**	318
Due from associates	**123**	87
Due to associates	**(2,569)**	(267)
	(2,446)	(180)
	(1,200)	138

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

13. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group 2001	2000	Principal activities
Shanghai Tongji Information Technology Company Limited	Corporate	PRC	**49**	—	Provision of professional IT contract services
Connex Networks Limited*	Corporate	Hong Kong	**33⅓**	33⅓	Provision of professional IT contract services
EPRO AS&T Limited*	Corporate	Hong Kong	**46**	46	Dormant

* not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms

14. INVENTORIES

	Group 2001 HK$'000	2000 HK$'000
IT contract work in progress	**1,281**	10,079
Merchandise for sale	**13,467**	4,232
	14,748	14,311

There were inventories of HK$1,567,000 (2000: Nil) stated at net realisable value at the balance sheet date.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$
Time deposits	**46,415**	—	**46,415**	—
Cash and bank balances	**25,228**	15,664	**6,611**	0,10
	71,643	15,664	**53,026**	0.10

16. DUE TO A DIRECTOR

The balance was unsecured, interest-free and was fully settled during the year.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		2001	2000
		HK$'000	HK$'000
Bank overdrafts, secured	(a)	**13,089**	11,446
Bank loans, secured	(a)	**8,106**	8,827
Trust receipt loans, secured	(a)	**20,399**	10,760
Loans from related companies, unsecured	(b)	**8,500**	8,500
Other loan, secured	(c)	—	5,000
Finance lease payables *(note 18)*		**754**	—
		50,848	44,533
Wholly repayable within one year		**43,696**	27,800
Repayable in the second year		**1,020**	9,124
Repayable in the third to fifth years, inclusive		**4,870**	2,515
Repayable beyond five years		**1,262**	5,094
		50,848	44,533
Less: Portion classified as current liabilities		**(43,696)**	(27,800)
Long term portion		**7,152**	16,733

17. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

(a) 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 2001 of HK$10,500,000 (2000: HK$11,800,000); and

(ii) corporate guarantees from the Company and certain subsidiaries to the extent of HK$49,565,000.

(b) The loans from related companies are unsecured, bear interest at 12% per annum and are repayable on or before 30 June 2002.

(c) The other loan was guaranteed by a director of the Company, bore interest at 12% per annum and was fully settled during the year.

18. FINANCE LEASE PAYABLES

The Group conducts a portion of its operations from leased computer equipment. These leases are classified as finance leases. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	Minimum payments 2001 HK$'000	**Present value of payments 2001 HK$'000**	Minimum payments 2000 HK$'000	Present value of payments 2000 HK$'000
Amount payable:				
Within one year	**863**	**754**	—	—
In the second year	**737**	**679**	—	—
In the third to fifth years, inclusive	**165**	**155**	—	—
Total finance lease payments	**1,765**	**1,588**	—	—
Future finance charges	**(177)**		—	
Total net finance lease payables	**1,588**		—	
Less: Portion classified as current liabilities *(note 17)*	**(754)**		—	
Long term portion	**834**		—	

19. DEFERRED TAX

No provision for deferred tax has been made by the Company as there were no significant timing differences at the balance sheet date (2000: Nil).

The movement of the Group's deferred tax provision during the year was as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
At beginning of year	**12**	12
Credit for the year *(note 8)*	**(12)**	—
At 30 June	**—**	12

No deferred tax has been provided by the Group as there were no significant timing differences at 30 June 2001. The principal component of deferred tax liability provided by the Group, calculated at 16% on the cumulative timing differences at 30 June 2000, was related to accelerated depreciation allowances.

The principal components of the Group's deferred tax (liabilities)/assets not provided for, calculated at 16% (2000: 16%) on the cumulative timing differences at the balance sheet date, are as follows:

	Group Not provided for	
	2001	2000
	HK$'000	HK$'000
Accelerated depreciation allowances	**(662)**	—
Tax losses	**8,970**	650
Other	**320**	—
	8,628	650

20. SHARE CAPITAL

	Company	
	2001	2000
	HK$'000	HK$
Authorised:		
10,000,000,000 (2000: 1,000,000) shares of HK$0.10 each	**1,000,000**	100,000
Issued and fully paid:		
920,000,000 (2000: 1) shares of HK$0.10 each	**92,000**	0.10

The comparative balance of the share capital as at 30 June 2000 as shown on the consolidated balance sheet represents the aggregate nominal value of the share capital of the Company's subsidiaries as at that date.

During the period from 15 March 2000 (date of incorporation) to 30 June 2001, the following changes in the Company's authorised and issued share capital took place:

(i) On incorporation, the authorised share capital of the Company was HK$100,000 divided into 1,000,000 shares of HK$0.10 each. On 15 March 2001, 1 share was allotted and issued to the initial subscriber;

(ii) On 8 July 2000, the authorised share capital of the Company was increased from HK$100,000 to HK$1,000,000,000 by the creation of an additional 9,999,000,000 shares of HK$0.10 each ranking pari passu with the existing shares;

(iii) On 8 July 2000, as part of the Reorganisation described in note 1 to the financial statements, the Company allotted and issued an aggregate of 413,879,999 shares of HK$0.10 each credited as fully paid at par as the consideration for the acquisition by the Company of the entire issued share capital of *e*PRO (BVI) Limited ("*e*BVI"). The excess of the fair values of the shares of *e*BVI, determined on the basis of the consolidated net assets of *e*BVI on that date over the nominal value of the Company's shares issued in exchange therefor, amounting to HK$4,071,000, was credited to the Company's share premium account as further detailed in note 21 to the financial statements;

(iv) 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 to 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 (v) below);

(v) 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 HK$84,000,000; and

20. SHARE CAPITAL *(Continued)*

(vi) Immediately following the New Issue, the 386,120,000 shares (note (iv) 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.

A summary of the movements in the issued share capital of the Company during the year is as follows:

		Number of authorised shares	Number of issued shares	Nominal value of shares issued
				HK$
On incorporation, share allotted and issued	(i)	1,000,000	1	0.10
Issued capital as at 30 June 2000		1,000,000	1	0.10
Increase in authorised share capital	(ii)	9,999,000,000	—	—
Shares issued as consideration for the acquisition of the entire issued share capital of *e*BVI	(iii)	—	413,879,999	41,387,999.90
New Issue	(v)	—	120,000,000	12,000,000.00
Capitalisation of issue of shares	(vi)	—	386,120,000	38,612,000.00
Issued capital as at 30 June 2001		10,000,000,000	920,000,000	92,000,000.00

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.

No options were exercised as at 30 June 2001.

20. SHARE CAPITAL *(Continued)*

Share option scheme

Under the terms of the share option scheme (the "Scheme") adopted by the Company on 24 July 2001, the board of directors of the Company is authorised, at its absolute discretion, to invite any employees, 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 shareholder 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 2001. Further details of the Scheme are set out in the prospectus of the Company dated 27 July 2000.

During the year, the Company granted 25,816,000 share options, of which 4,000,000 options were granted to two executive directors and 21,816,000 options were granted to the employees, as set out below:

Exercise period	Exercise price HK$	Number of shares subject to the options as at 30 June 2001
22 November 2000 to 21 November 2003	0.38	12,896,000
23 March 2001 to 22 March 2004	0.228	12,920,000
		25,816,000

No share options were exercised as at 30 June 2001.

21. RESERVES

Group	Share premium	Capital reserve	Retained profits/ (accumulated losses)	Reserve fund	Expansion reserve	Exchange fluctuation reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 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
Net profit for the year	—	—	8,594	—	—	—	8,594
Balance at 30 June and 1 July 2000	12,385	479	17,347	137	137	(126)	30,359
Transfer from/(to) reserves	—	—	(366)	183	183	—	—
Shares issued as consideration for the acquisition of the entire issued share capital of *e*BVI *(note 20(iii))*	(26,288)	—	—	—	—	—	(26,288)
New issue of shares *(note 20(v))*	72,000	—	—	—	—	—	72,000
Share issue expenses	(12,460)	—	—	—	—	—	(12,460)
Capitalisation issue of shares *(note 20(vi))*	(38,612)	—	—	—	—	—	(38,612)
Foreign exchange adjustments	—	—	—	—	—	(204)	(204)
Net loss for the year	—	—	(46,146)	—	—	—	(46,146)
At 30 June 2001	7,025	479	(29,165)	320	320	(330)	(21,351)

21. RESERVES *(Continued)*

Company	Share premium	Capital reserve	Retained profits/ (accumulated losses)	Reserve fund	Expansion reserve	Exchange fluctuation reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Shares issued as consideration for the acquisition of the entire issued share capital of *e*BVI *(note 20(iii))*	4,071	—	—	—	—	—	4,071
New issue of shares *(note 20(v))*	72,000	—	—	—	—	—	72,000
Share issue expenses *(note 20(vi))*	(12,460)	—	—	—	—	—	(12,460)
Capitalisation issue of shares	(38,612)	—	—	—	—	—	(38,612)
Net loss for the year	—	—	(38,347)	—	—	—	(38,347)
At 30 June 2001	24,999	—	(38,347)	—	—	—	(13,348)

The share premium account of the Group includes (i) premium arising from the New Issue during the year; and (ii) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation set out in note 1 to the financial statements over the nominal value of the share capital of the Company issued in exchange therefor.

The share premium account of the Company includes (i) premium arising from the New Issue during the year; and (ii) the difference between the then consolidated net assets of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

In accordance with the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

21. RESERVES *(Continued)*

The Group's accumulated losses as at 30 June 2001 comprise accumulated losses of HK$29,407,000 (2000: profits of HK$17,269,000) retained by the Company and its subsidiaries and profits of HK$242,000 (2000: 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 in the nature.

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK$'000	HK$'000
Profit/(loss) from operating activities	**(44,308)**	18,845
Interest income	**(4,218)**	(712)
Depreciation	**5,919**	3,745
Loss on disposal of fixed assets	**105**	—
Increase in inventories	**(437)**	(1,369)
Decrease/(increase) in trade receivables	**17,222**	(39,639)
Increase in prepayments, deposits and other receivables	**(164)**	(6,588)
Increase in trade payables and accrued liabilities	**8,613**	16,238
Increase/(decrease) in deposits received	**(3,513)**	2,925
Decrease in deferred revenue	**(163)**	(481)
Decrease/(increase) in balances with associates	**2,266**	(1,289)
Decrease in an amount due to a director	**(130)**	(3)
Foreign exchange adjustments	**(43)**	51
Net cash outflow from operating activities	**(18,851)**	(8,277)

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of a subsidiary

	2001
	HK$'000
Net assets disposed of:	
Fixed assets	1,689
Inventories	1,777
Trade receivables	22,842
Prepayments, deposits and other receivable	1,479
Cash and bank balances	1,575
Trade payables and accrued liabilities	(7,945)
Amounts due to immediate holding company	(10,730)
Amounts due to fellow subsidiaries	(1,658)
Minority interests	(902)
	8,127
Net assets transferred to a subsidiary	(8,127)
	—

During the year, Guangzhou EPRO Computer Systems Limited, a 90% subsidiary of the Group, was dissolved upon the expiry of its business licence. All the assets and liabilities of the company were transferred to EPRO Computer Systems (Guangzhou) Company Limited, a wholly-owned subsidiary of the Group established during the year, at the net book value as at the date of dissolution.

The subsidiary disposed of contributed turnover of HK$24 million, net profit after tax of HK$0.24 million to the Group's consolidated results; and contributed HK$0.24 million to the Group's net operating cash flows but had no significant impact in respect of the investing activities, financing activities, net returns on investments and servicing of finance and tax.

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Analysis of changes in financing:

Group

	Share capital (including share premium)	Bank and other loans	Finance lease payables	Minority interests
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 1999	23,731	9,421	—	4,224
Issue of shares of a subsidiary	3,754	—	—	—
Net cash inflow from financing, net	—	12,906	—	—
Contribution from a minority shareholder of a subsidiary	—	—	—	4,000
Share of profits	—	—	—	1,262
At 30 June and 1 July 2000	27,485	22,327	—	9,486
Inception of finance leases	—	—	1,724	—
Net cash inflow/(outflow) from financing, net	71,540	(5,721)	(136)	—
Contribution from a minority shareholder of a subsidiary	—	—	—	3,950
Disposal of a subsidiary	—	—	—	(902)
Share of losses	—	—	—	(4,029)
At 30 June 2001	99,025	16,606	1,588	8,505

(d) Major non-cash transactions

(i) During the year, the Group entered into finance lease arrangements in respect of fixed assets with total capital value at the inception of the leases of HK$1,724,000 (2000: Nil).

(ii) The transfer of the net assets of the liquidated subsidiary to a new subsidiary as detailed in (b) above did not result in any cash flows to the Group.

23. CONTINGENT LIABILITIES

(a) The Company had contingent liabilities in respect of corporate guarantees for banking and finance leases facilities granted to certain subsidiaries in the aggregate amount of HK$49,565,000 (2000: Nil). At the balance sheet date, such facilities were utilised by the subsidiaries to the extent of HK$26,885,000 (2000: Nil).

(b) At the balance sheet date, the Group had executed performance bonds of HK$5,681,000 (2000: HK$263,000) in respect of certain services provided by the Group.

24. COMMITMENTS

At the balance sheet date, the Company did not have any commitments. The Group's commitments at the balance sheet date were as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
(a) Capital contributions to PRC subsidiaries	**14,000**	—

	Group	
	2001	2000
	HK$'000	HK$'000
(b) Future minimum lease payments under non-cancellable operating leases in respect of land and buildings for each of the following periods:		
Within one year	**569**	1,370
In the second to fifth years, inclusive	**5,759**	2,349
Beyond five years	**1,454**	1,374
	7,782	5,093

25. RELATED PARTY TRANSACTIONS

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

		2001	2000
		HK$'000	HK$'000
IT contract services payments to an associate	(a)	**—**	718
Management fees received from associates	(b)	**365**	96
Interest paid to related companies	(c)	**1,020**	434

(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 the associate.

(b) Management fees were charged to associates in respect of the administrative support provided by the Group which 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.

26. COMPARATIVE AMOUNTS

Certain comparative figures for the year ended 30 June 2000 were reclassified as in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's operating results. A summary of the reclassification is as follows:

(a) Sales commission of HK$3,999,000 and marketing expenses of HK$342,000 for the year ended 30 June 2000 were reclassified from administrative expenses to selling and distribution costs; and

(b) Provision for doubtful debts of HK$217,000 and provision for inventories of HK$121,000 for the year ended 30 June 2000 were reclassified from administrative expenses to other operating expenses.

Also, as further explained in note 3 to the financial statements, due to the adoption of the revised SSAP 14 during the current year, the comparative amounts in respect to the Group's commitments under non-cancellable operating leases have been restated to conform with the current year's presentation.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 24 September 2001.