

***e*PRO**
EPRO LIMITED
易 寶 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

HALF-YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “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.

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

HIGHLIGHTS

- For the six months ended 31 December 2001, the Group's turnover decreased by 46% to approximately HK\$125 million.
- The Group recorded a net loss from ordinary activities attributable to shareholders of approximately HK\$11,476,000.
- No payment of an interim dividend for the six months ended 31 December 2001 is recommended by the Directors.

UNAUDITED RESULTS

The board of directors (the "Directors") of EPRO LIMITED (the "Company") announced the half-year unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the three months ended 31 December		For the six months ended 31 December	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
	Notes				
TURNOVER	2	60,568	133,348	125,172	231,282
Other revenue		416	1,370	1,262	2,250
Cost of goods sold		(41,979)	(105,345)	(88,873)	(182,911)
Selling and distribution cost		(2,604)	(4,458)	(4,833)	(6,563)
Administrative and other operating expenses		(22,706)	(18,800)	(47,743)	(37,346)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(6,305)	6,115	(15,015)	6,712
Finance costs	4	(753)	(1,024)	(1,759)	(2,121)
Share of profits/(loss) of associates		1,991	185	2,220	212
		(5,067)	5,276	(14,554)	4,803
PROFIT/(LOSS) BEFORE TAX					
Tax	5	(43)	(450)	(150)	(510)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(5,110)	4,826	(14,704)	4,293
Minority interests		585	(620)	3,228	10
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(4,525)	4,206	(11,476)	4,303
Basic earnings/(loss) per share (HK cents)	6	(0.49)	0.46	(1.25)	0.48

UNAUDITED CONSOLIDATED BALANCE SHEET

		At 31 December 2001 (Unaudited) HK\$'000	At 30 June 2001 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		27,024	33,367
Interests in associates		8,189	1,246
		<u>35,213</u>	<u>34,613</u>
CURRENT ASSETS			
Inventories		17,639	14,748
Trade receivables	7	69,522	95,337
Prepayments, deposits and other receivables		22,356	12,697
Due from associates		267	123
Cash and cash equivalents		41,016	71,643
		<u>150,800</u>	<u>194,548</u>
CURRENT LIABILITIES			
Trade payables and accrued liabilities	8	45,575	87,483
Deposits received		9,372	2,056
Deferred revenue		2,746	1,965
Tax payable		4,343	4,252
Due to associates		364	2,569
Interest-bearing bank and other borrowings		50,144	43,696
		<u>112,544</u>	<u>142,021</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>38,256</u>	<u>52,527</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>73,469</u>	<u>87,140</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		6,483	7,152
Finance lease payables		875	834
		<u>7,358</u>	<u>7,986</u>
MINORITY INTERESTS		<u>7,077</u>	<u>8,505</u>
		<u>59,034</u>	<u>70,649</u>
CAPITAL AND RESERVES			
Issued capital		92,000	92,000
Reserves	9	(32,966)	(21,351)
		<u>59,034</u>	<u>70,649</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

**FOR THE SIX
MONTHS ENDED
31 DECEMBER
2001
(UNAUDITED)
HK\$'000**

NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(35,226)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	—
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	51
TAX	
Overseas profits taxes paid	(60)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(3,130)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(38,365)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>12,724</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(25,641)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>38,155</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>12,514</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	41,016
Bank overdrafts	<u>(28,502)</u>
	<u><u>12,514</u></u>

Notes:

1. Basis of preparation of the financial statements

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2000 under the Companies Law (2000 Revision) of the Cayman Islands. The Company is an investment holding company for the Group with its principal activities being the development and implementation of e-commerce enabling software products and the provision of system integration and information technology ("IT") related services to commercial enterprises and government entities in Asia. In addition, the Group distributes computer hardware and related peripherals. The shares of the Company have been listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2 August 2000.

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

The unaudited consolidated profit and loss account for the six months ended 31 December 2000 of the Group has been prepared on a merger accounting basis as if the Company has always been the holding company of the respective subsidiaries now comprising the Group.

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

The accounting policies applied to the figures in the Group's half-year report for the six months ended 31 December 2001 are consistent with those applied to the annual accounts of the Group for the year ended 30 June 2001.

2. Turnover

Turnover represents the net invoiced value of goods sold, net of returns and allowances, and the value of professional IT contract services rendered.

3. Profits/(Loss) from operating activities

The Group's profits/(loss) from operating activities is arrived at after charging the following:

	For the three months ended 31 December		For the six months ended 31 December	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation:				
Owned fixed assets	2,069	1,649	3,932	2,544
Leased fixed assets	146	—	283	—

4. Finance Costs

The finance costs comprise:

	For the three months ended 31 December		For the six months ended 31 December	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on				
bank loans and overdrafts	426	694	1,035	1,427
Interest expenses on				
other loans	233	330	548	694
Interest expenses on				
finance leases	94	—	176	—
Total finance costs	<u>753</u>	<u>1,024</u>	<u>1,759</u>	<u>2,121</u>

5. Tax

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

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

	For the three months ended 31 December		For the six months ended 31 December	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group:				
Provision for the period				
— elsewhere	<u>43</u>	<u>450</u>	<u>150</u>	<u>510</u>

The Group did not have any significant unprovided deferred tax liabilities for the six months ended 31 December 2001. (2000: Nil)

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the three months and the six months ended 31 December 2001 is based on the unaudited net loss from ordinary activities attributable to shareholders for the said periods of approximately HK\$4,525,000 and HK\$11,476,000 respectively and on the weighted average number of 920,000,000 shares in issue during the three months and the six months ended 31 December 2001 respectively.

The calculation of basic earnings per share for the three months and the six months ended 31 December 2000 is based on the unaudited net profit from ordinary activities attributable to shareholders for the said periods of approximately HK\$4,206,000 and HK\$4,303,000 respectively and on the weighted average number of 920,000,000 shares and 900,000,000 shares in issue during the three months and the six months ended 31 December 2000 respectively.

No diluted loss per share has been presented for the three months and the six months ended 31 December 2001 as the exercise price of the Company's outstanding share options was higher than the average market price for the period.

No diluted earnings per share has been presented for the three months and the six months ended 31 December 2000, as the Company did not have any dilutive potential ordinary shares.

7. Trade Receivables

	At 31 December 2001 (Unaudited) HK\$'000	At 30 June 2001 (Audited) HK\$'000
Trade Receivables	70,665	97,006
Less: Provision for doubtful debts	(1,143)	(1,669)
	<u>69,522</u>	<u>95,337</u>

The ageing analysis of trade receivables is as follows:—

	At 31 December 2001 (Unaudited) HK\$'000	At 30 June 2001 (Audited) HK\$'000
Outstanding balances with ages:		
0 to 90 days	24,617	44,730
91 to 180 days	20,172	31,590
181 to 270 days	14,461	10,440
271 to 360 days	4,351	3,420
Over 360 days	7,064	6,826
	<u>70,665</u>	<u>97,006</u>

It is the Group's policy to grant a normal term of credit period of 30 to 90 days to its trade customers.

8. Trade Payables

As at 31 December 2001, trade payables and accrued liabilities accounted to HK\$45,575,000 (30 June 2001: HK\$87,483,000), including trade payables of HK\$16,321,000 (30 June 2001: HK\$57,080,000). The ageing analysis of trade payables is as follow:—

	At 31 December 2001 (Unaudited) HK\$'000	At 30 June 2001 (Audited) HK\$'000
Outstanding balances with ages:		
0 to 90 days	2,963	18,295
91 to 180 days	2,927	25,927
181 to 270 days	2,794	5,252
271 to 360 days	2,520	4,390
Over 360 days	5,117	3,216
	<u>16,321</u>	<u>57,080</u>

9. Reserves

Group	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Reserve fund HK\$'000	Expansion reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000
Balance at 1 October 2001	7,025	479	(36,116)	320	320	(330)	(28,302)
Foreign exchange adjustments						(139)	(139)
Net loss for the period			(4,525)				(4,525)
At 31 December 2001	<u>7,025</u>	<u>479</u>	<u>(40,641)</u>	<u>320</u>	<u>320</u>	<u>(469)</u>	<u>(32,966)</u>
Balance at 1 July 2001	7,025	479	(29,165)	320	320	(330)	(21,351)
Foreign exchange adjustments						(139)	(139)
Net loss for the period			(11,476)				(11,476)
At 31 December 2001	<u>7,025</u>	<u>479</u>	<u>(40,641)</u>	<u>320</u>	<u>320</u>	<u>(469)</u>	<u>(32,966)</u>

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2001 (2000: Nil).

FINANCIAL REVIEW

For the six months ended 31 December 2001, the Group recorded an unaudited consolidated turnover of approximately HK\$125 million representing a 46% decrease as compared to the corresponding period in 2000. The unaudited net loss from ordinary activities attributable to shareholders amounted to approximately HK\$11,476,000. In comparison, the Group recorded an unaudited net profit from ordinary activities attributable to shareholders of approximately HK\$4.3 million for the corresponding period in 2000. The decrease in turnover of the Group was mainly due to the cessation of personal computer distribution business in Hong Kong and the general weak demand in goods and services in the IT markets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation is mainly financed by the internal financial resources and bank borrowings. The current ratio of the Group as at 31 December 2001 was 1.34 (30 June 2001: 1.37). The Group's gearing ratio as at 31 December 2001 was 0.64 (30 June 2001: 0.65), calculated based on the Group's total debts of HK\$119,902,000 (30 June 2001: HK\$150,007,000) over total assets of HK\$186,013,000 (30 June 2001: HK\$229,161,000).

CHARGES ON ASSETS

The details of the Group's assets pledged as securities for banking facilities is as follows:

	At 31 December 2001 (Unaudited) HK\$'000	At 30 June 2001 (Audited) HK\$'000
Leasehold properties	<u>7,592</u>	<u>8,106</u>

EMPLOYEE, TRAINING AND DEVELOPMENT

In view of the changing economic outlook in the region, the Group reviewed and reorganized its human resources allocation to match the latest business strategies. During the six months ended 31 December 2001, the total headcount of the Group was downsized from 420 (as of 30 June 2001) to 291.

Remuneration packages are maintained at a competitive level and reviewed on a periodical basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance. Frequent training sessions were also provided to the employees.

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 which have been applied in the following areas:

	Revised Use of Proceeds as stated in the 2001 Annual Report HK\$ million	Amount utilized up to 31 December 2001 HK\$ million	Remaining Proceeds as at 31 December 2001 HK\$ million
1. Research and development of existing and new software products and solutions	25.0	17.0	8.0
2. Establishment of software centres, co-operation with academic institutions and other related IT companies	21.0	10.0	11.0
3. Marketing and promotion activities for new software products and solutions	8.4	5.0	3.4
4. Repayment of an independent third party loan	5.0	5.0	0
5. Working Capital	11.6	7.8	3.8
	<u>71.0</u>	<u>44.8</u>	<u>26.2</u>

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 of the Company dated 27 July 2000 (the “Prospectus”), over the period from 1 July 2000 to 30 June 2002. The actual progress of these objectives over the last six months is explained as follows:

(a) e-Logistics Development

Key business objectives for the six months ended 31 December 2001

Soft launch of the e-Fulfillment solution

Start to conduct sales and marketing campaigns for the e-Fulfillment solution

Begin to recruit additional staff to cater for business growth when necessary

Continue the development of the e-Despatch module and start pilot run and testing

Begin to seek business strategic partners in the transportation, warehousing and distribution sectors in The People’s Republic of China (the “PRC”)

Actual Achievements

The e-Fulfillment module is ready for soft launch in December 2001 as scheduled.

The Group has conducted a well-planned and extensive sale and marketing campaign for the product. The Group has registered for exhibits in some marketing events organized by reputable industrial organizations in the next quarter in order to gain popularity.

There were sufficient human resource for daily operation in the period. The Group always welcomes talented persons to join the team and reviews the human resources requirement from time to time to ensure the robust development of the product.

More human resources and investment were allocated to facilitate the development of e-Despatch which yielded satisfactory results. Pilot run and testing has been started in late December.

A few strategic partners have been identified and under negotiation. The Group anticipates that their industrial knowledge and technical know-how, together with our solid experience, will achieve synergies.

(b) e-Billing Development

Key business objectives for the six months ended 31 December 2001

Develop additional modules relating to Internet applications, call centres and multilingual functionalities

Continue to identify the latest market demand and technological requirements of the features of the total e-Billing solution

Continue to upgrade and modify the developed modules in response to the changing environment

Substantially complete the total e-Billing solution development and prepare for soft launch

Formulate the marketing strategy for the introduction of the total e-Billing solution

Actual Achievements

The development of additional modules for Internet application, call centres and multilingual support are in progress and are showing satisfactory results.

The Group is very proactively identifying the latest market demand and technological requirements in order to seize the business opportunities that evolved.

The Group is optimistic for this product's demand and continued to place human resources and investment for upgrading and modifying the developed modules to contend with the changing environment.

The development of the planned modules of the total e-Billing product is in progress. It was substantially completed and well-prepared for soft launch.

The Group has planned to participate in IT exhibitions in the coming months to promote this solution. In view of the prosperous growth of the telecommunications and Internet businesses in the PRC, the Group has decided to focus more on this area.

(c) e-Trading Application Service Provider ("ASP") Development

Key business objectives for the six months ended 31 December 2001

Conduct market study for providing additional value-added services as a package to the existing e-Trading ASP

Actual Achievements

The Group conducted market study in the period. Based on the study, the Group identified some new enhancement service modules and the development was in progress. The Group believes that this strengthened package provides the most comprehensive service in the market.

Commence research and development on new trading products for e-Trading system

Recruit additional staff to cater for business growth when necessary

Identify strategic investment opportunities in other e-Trading service providers or related businesses

The Group continued to commence research and development of the system in this challenging time. Resources were located to explore new opportunities for the existing system.

There is sufficient human resource for current daily operations and thus no additional staff was recruited. Nonetheless, the Group reviews its human resources requirements from time to time to ensure it meets the increased demand from business growth.

Due to uncertainties in the economy, the Group is very cautious on any investment opportunities. There were a few strategic partners identified and further discussion of collaboration is in progress with no contract signed.

(d) Strengthening Research and Development Capabilities

Key business objectives for the six months ended 31 December 2001

Expand the operations of technology centres in the PRC when necessary

Begin full solution testing in accordance with the engineering plan and specification, if applicable

Training of staff from time to time

Recruit software engineers and technical staff when necessary.

Actual Achievements

The Group has already established technology centers in Shanghai and Guangzhou. It is believed that there are at present sufficient resources to cope with the demand. The Group is aware of the changes in market needs and would begin to acquire additional resources to cater for the business growth when necessary.

The Group has taken very comprehensive testing procedures for the completed modules of e-Logistics, e-Trading and e-Billing to assure product quality and to meet engineering plans and specifications.

The Group sent engineers to attend technical trainings from time to time.

The Group believed that there were enough software engineers and technical staff in the period and will recruit additional staff when necessary.

(c) Strategic investments, acquisitions and collaboration

Key business objectives for the six months ended 31 December 2001

Identify new application solutions developed by other academic institutions, global technology centers and other related IT companies that have market potential for exclusive licensing, alliance or acquisition

Actual Achievements

Due to the stagnation of the economy, the Group has become more conservative in its investment, acquisition and collaboration. The Group has studied a few application solutions with high market potential in Hong Kong and the PRC which are at the very initial stage of investigation.

PROSPECTS

The Group is taking a very attentive approach to exercise tight cost controls in light of the negative sentiment in Hong Kong. The economic uncertainties and harsh competition result in a very difficult business environment for all businesses. The Group will continue to be a prudent IT solutions provider in the industry, and is proactively investigating new opportunities in this market. We look forward to an economic rebound.

As for our operations in the PRC, the Group has an optimistic outlook since the PRC's entry to the World Trade Organization provides a stimulus for a more favorable business environment. With 12 years of history, presences in several principal Chinese cities, proven track record and solid customer base, the Group believes that it has a stable growth in business, especially from the logistics and telecommunications sector, both areas in which we have traditionally succeeded in. In the coming future, we expect the PRC to generate increasingly substantial turnover for the Group.

In this time of hardship, the Group remains conservatively optimistic for our future and confident in our capabilities to overcome the challenging times ahead.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 December 2001.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2001, the interests of the directors of the Company 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

Director	Note	Nature of interests	Number and percentage of ordinary shares of the Company interested
Mr. Yip Sam Lo	a	Corporate	518,919,250 (56.40%)

Note:

- a. 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 total issued share capital of Comlink Resources Limited ("Comlink"), an immediate holding company of the Company. Comlink is interested in 518,919,250 ordinary shares of the Company, representing 56.40% of the total issued share capital of the Company.

Interests in associated corporations

Director	Notes	Name of associated corporation	Nature of interests	Percentage of issued shares of the associated corporation interested
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%

Notes:

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

Some directors of the Company are holding shares in the Hong Kong subsidiaries of the Company in a non-beneficial interest to meet the minimum shareholder requirement.

Save as disclosed above, none of the directors or chief executive of the Company or their respective 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 or as 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 to the following directors of the Company on 26 July 2000 as follows:

Name of grantee	Exercise period	Exercise price HK\$	Number of shares subject to the options as at 31 December 2001
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
			<hr/>
			25,725,752
			<hr/>

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

Pursuant to the terms of a share option scheme (the "Share Option Scheme") adopted by the Company on 24 July 2000, the Directors are authorised, at their 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 director	Exercise period	Exercise price HK\$	Number of shares subject to the options as at 31 December 2001
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 Share Option Scheme up to the date of this report.

Save as disclosed in the Pre-IPO Plan and the Share Option Scheme, at no time during the three months ended 31 December 2001 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or chief executive of the Company 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 or chief executive or their respective associates to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 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 ordinary shares of the Company interested
Comlink	518,919,250
Araucarea	518,919,250

Comlink owned 518,919,250 ordinary 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.

COMPETITION AND CONFLICT OF INTEREST

None of the directors and the management 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.

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 28,000 shares as at 31 December 2001, neither CPY nor its directors or employees or associates had any interests in the share capital of the Company as at 31 December 2001.

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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with board practices and procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules for the six months ended 31 December 2001.

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 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 information contained in the Group's half-year report for the six months ended 31 December 2001 has not been audited but has been reviewed by the Committee, who was of the opinion that such report complied with the applicable accounting standards, and the Stock Exchange and legal requirements and that adequate disclosures had been made.

By order of the Board
Kwong Chak Chung
Chairman

Hong Kong, 7 February 2002