

ePRO

EPRO LIMITED

易寶有限公司

(Incorporated in the Cayman Islands with limited liability)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 31 MARCH 2002**

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

This report, for which the directors of EPRO LIMITED collectively and individually accept 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 nine months ended 31 March 2002, the Group's turnover decreased by 56% to approximately HK\$160 million.
- The Group recorded a net loss from ordinary activities attributable to shareholders of approximately HK\$18,774,000.
- No payment of an interim dividend for the nine months ended 31 March 2002 is recommended by the Directors.

UNAUDITED RESULTS

The board of directors (the "Directors") of EPRO LIMITED (the "Company") announced the third quarterly unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 31 March 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	For the three months ended 31 March		For the nine months ended 31 March	
		2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER	2	<u>34,931</u>	<u>129,809</u>	<u>160,103</u>	<u>361,091</u>
Other revenue		203	1,082	1,465	3,332
Cost of goods sold		(23,587)	(108,624)	(112,460)	(291,535)
Selling and distribution costs		(1,200)	(3,336)	(6,033)	(9,899)
Administrative and other operating expenses		<u>(16,547)</u>	<u>(22,396)</u>	<u>(64,290)</u>	<u>(59,743)</u>
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(6,200)	(3,465)	(21,215)	3,246
Finance costs		(657)	(728)	(2,416)	(2,849)
Share of profits of associates		<u>(1,334)</u>	<u>423</u>	<u>886</u>	<u>635</u>
(LOSS)/PROFIT BEFORE TAX		(8,191)	(3,770)	(22,745)	1,032
Tax	3	<u>(90)</u>	<u>(82)</u>	<u>(240)</u>	<u>(592)</u>
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(8,281)	(3,852)	(22,985)	440
Minority interests		<u>983</u>	<u>1,569</u>	<u>4,211</u>	<u>1,579</u>
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(7,298)</u>	<u>(2,283)</u>	<u>(18,774)</u>	<u>2,019</u>
Basic (loss)/earnings per share (HK cents)	4	<u>(0.74)</u>	<u>(0.25)</u>	<u>(2.0)</u>	<u>0.22</u>

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.

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 third quarterly report for the nine months ended 31 March 2002 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. 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 March		For the nine months ended 31 March	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group:				
Provision for the period				
— elsewhere	90	82	240	592
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Group did not have any significant unprovided deferred tax liabilities for the nine months ended 31 March 2002. (2001: Nil)

4. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the three months and the nine months ended 31 March 2002 is based on the unaudited net loss from ordinary activities attributable to shareholders for the said periods of approximately HK\$7.3 million and HK\$18.8 million respectively and on the weighted average number of 981,333,333 shares and 940,444,444 shares in issue during the three months and the nine months ended 31 March 2002 respectively.

The calculation of basic (loss)/earnings per share for the three months and the nine months ended 31 March 2001 is based on the unaudited net (loss)/profit from ordinary activities attributable to shareholders for the said periods of approximately (HK\$2.3 million) and HK\$2 million respectively and on the weighted average number of 920,000,000 shares and 906,666,666 shares in issue during the three months and the nine months ended 31 March 2001 respectively.

No diluted loss per share has been presented for the three months and the nine months ended 31 March 2002 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 nine months ended 31 March 2001, as the Company did not have any dilutive potential ordinary shares.

5. RESERVES

Other than the net loss for the three months ended 31 March 2002 and 31 March 2001, there was no movement to or from reserves during the three months ended 31 March 2002 and 31 March 2001.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 March 2002 (2001: Nil).

FINANCIAL REVIEW

For the nine months ended 31 March 2002, the Group recorded an unaudited consolidated turnover of approximately HK\$160 million, representing a 56% decrease as compared to the corresponding period in 2001. The unaudited net loss from ordinary activities attributable to shareholders for the nine months ended 31 March 2002 amounted to approximately HK\$18,774,000. In comparison, the Group recorded an unaudited net profit from ordinary activities attributable to shareholders of approximately HK\$2 million for the corresponding period in 2001.

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.

On 18 March 2002, the Company placed 184,000,000 new ordinary shares of HK\$0.10 each to China Dynamic Enterprises Limited, for a consideration of HK\$18,400,000. The placing shares represent 20% of the issued share capital of the company before the placement and approximately 16.67% of the issued share capital of the Company as enlarged by the placement. The Directors consider that it is in the best interest of the Company to raise further capital from the equity market by way of the share placement in order to enhance the capital base of the Company as well as to strengthen the cash flow of the Company.

BUSINESS OBJECTIVES AND PROGRESS REVIEW

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, to attain our long-term business goal. The actual progress of these objectives over the last three months ended 31 March 2002 is explained as follows:

(a) e-Logistics Development

The increasing public attention to supply chain management and logistics solutions created an encouraging outlook of our e-Logistics product. During the period under review, we launched a sales and marketing campaign for the first module, e-Fulfillment and participated in a number of industrial marketing events. The development of the second module, e-Despatch, is progressing as scheduled and a soft launch by the end of June 2002 is expected.

(b) e-Billing Development

The e-Billing product is a billing system that caters for meeting the billing requirements of the telecommunications operator and Internet services provider incorporate in the Asia Pacific region. In the period, the Group continued to modify and enhance the features of our total e-Billing solution for the local market needs.

(c) e-Trading Application Service Provider (“ASP”) Development

The e-Trading solution is a straight-through ASP system that enables securities firms to conduct online securities transactions on an independent ASP platform. Given the low turnover in the stock market, resources have been shifted from marketing to research and development including further enhancements of the solution such as offline data warehousing and Customer Relationship Management (“CRM”) for brokers as the Middle Office Module.

(d) Strengthening Research and Development Capabilities

The Group’s software centres in Guangzhou and Shanghai provide product development and enhancement for our self-developed products, as well as provide total support to technical teams of regional operations.

(e) Strategic investments, acquisitions and collaboration

The Group has always been looking for a balanced opportunities of strategic investments, acquisitions and collaboration. The Group believes this would eventually strengthen our competitive edges.

DEPLOYMENT OF HUMAN RESOURCES

During the three months ended 31 March 2002, the total headcount of the Group decreased from 291 to 258, of which approximately 60% were technical staff. Human resources were reorganized to align with the current business strategies of the Group. Engineers have continued to attend technical trainings seminars on adopting the latest technologies.

PROSPECTS

The Group is optimistic on the future of the e-Logistics product. The accelerating demand for supply chain management solutions and an awareness of the importance of supply chain efficiency are the key favourable factors for growth. The Group is allocating more resources to this product both for research and development and implementation of sales and marketing plans.

According to a research conducted by International Data Centre (IDC) early this year, IT market of the Greater China will grow at a rapid rate in the mid-2002, and will rise 28.1% or above by the end of the year. The Group continues to expect future growth opportunities to be generated by its business in The People's Republic of China.

The Directors are pleased to have two new executive directors joining the Group in March this year. The addition of these two new members is expected to stimulate new business ideas for improving management effectiveness and enhancing the Group's competitiveness.

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 nine months ended 31 March 2002.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2002, 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 (47.00%)
Mr. Huang Shaokang	b	Corporate	184,000,000 (16.67%)
		Personal	71,092,000 (6.44%)

Note:

- 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 47.00% of the total issued share capital of the Company.
- Mr. Huang Shaokang is the sole beneficial shareholder of China Dynamic Enterprises Limited ("China Dynamic") which, in turn, is interested in 16.67% of the total issued share capital of the Company. Mr. Huang Shaokang personally holds 71,092,000 shares 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%
		Araucarea	Personal	100.00%
Mr. Leung Yiu Chown, Desmond	3	Comlink	Personal	14.44%
Mr. Xu Jie	4	Comlink	Personal	3.03%

Notes:

- 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.
- 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.
- Mr. Leung Yiu Chown, Desmond is personally interested in 14.44% of the total issued share capital of Comlink.
- 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 March 2002
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/> <hr/> 25,725,752

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 March 2002
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
			<hr/> 4,000,000 <hr/>

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 nine months ended 31 March 2002 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 March 2002, 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
China Dynamic	184,000,000

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 and Mr. Huang Shaokang respectively 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, 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 1,724,000 shares as at 31 March 2002, neither CPY nor its directors or employees or associates had any interests in the share capital of the Company as at 31 March 2002.

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 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 third quarterly report for the nine months ended 31 March 2002 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
Yip Sam Lo
Managing Director

Hong Kong, 13 May 2002