

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

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CHAIRMAN'S STATEMENT

2002 was a year full of challenges and difficulties for EPRO Limited (the "Company") and its subsidiaries (the Group"). By realigning operating structure and introducing of young elite to the experienced management team, the Group underwent restructuring and built a solid foundation for future growth. Despite the adverse economic environment, the board ("Board") of directors ("Directors") of the Company and the management team will keep the confidence and be able to drive the business on the right track.

REINFORCED CORE BUSINESS STRATEGIES

In 2002, the Group undertook a strategic business restructuring and has successfully shaped the future. In the coming years, the Group will focus our effort in four business areas: systems integration services, information technology ("IT") professional services, IT development outsourcing services and comprehensive logistics solutions.

The Group has been devoting to the provision of systems integration services and IT professional services to commercial enterprises and government entities in the region, which allows us to build up a wealth of valuable knowledge and experiences in this field, and gradually equips us to mature into a higher-level systems integrator. Based on this solid foundation, the Group had substantially enhanced our skills on risk management, project management and technical know-how, as well as improved the quality of our solutions. During the year, numerous systems integration projects were completed with big successes and customer satisfaction. The Group will retain this well-developed business and aim to become one of the leading solution providers in the region.

The Group also provides unique IT professional services to our customers and addresses the evolving needs of the market. For each product that we identified as having high market potential, we dedicated a specialized team in order to provide the most comprehensive professional services. Last year, the Group was very proud to have the Beijing operations became the first certified service provider partner of Hewlett-Packard IT management solutions - HP OpenView in the Mainland China. The OpenView suite gives companies a more service-oriented view of their infrastructures. The product is gaining attentions in the region, and there is a high-and-growing demand in the China market. As such, the Group believed this business strategy is a very effective and efficient one, especially in the Mainland China market.

While strengthening the core business, the Group started to expand our scope of business. We see IT development offshore outsourcing a trend in the region. In June 2002, International Data Centre (IDC) released a report and predicted that the Asia Pacific IT Outsourcing marketplace will grow from US\$4.7 billion in 2001 to nearly US\$14 billion by 2006, experiencing a compound annual growth rate (CAGR) of 24%. Led by an experienced management team, the Group gradually increased its investment on growing the IT development outsourcing services business during the year. The result was satisfying. The Group is presently a renowned IT development outsourcing company that established a possession of good reputation for our quality services. By possessing increasingly good reputation for our quality services, our clients are mainly renowned enterprises in Asia-Pacific. The Board is confident that the Group's IT development outsourcing business will sustain its stable growth and development, and soon become a strong revenue stream of the Group.

CHAIRMAN'S STATEMENT (CONTINUED)

The Group has also been investing substantial amount of resources to the development and enhancement of our logistics management solutions. The Group provides comprehensive systems integration services as well as repeatable solutions to clients in the logistics industries for years. The Group is glad to see the maturity of this business, and expected to reap the fruit of its effort in the near future, especially from the recently launched logistics management solution — WarehousePRO.

WarehousePRO is a warehouse management solution that was soft launched in January 2002. According to a study conducted by Business Communications Company in the United States, the global Warehouse Management Solution market is projected to approach \$4.9 billion in 2006, with an average annual growth rate of 22.2%. The emerging markets of Asia should experience the most rapid growth, increasing its share of the world market from 8% in 2000 to 13% in 2006. The Group will keep on its emphasis on the products to seize the opportunities stimulated.

ENHANCED MANAGEMENT TEAM

The Board is very glad to have new Directors and management joining the Group during the year, who bring with them accomplished management skills and profound technical knowledge required by the business. Complementing the experienced and knowledgeable directors, these dynamic young management team members introduce impetus on business strategies in increasing efficiency, competences and competitive-edges of the Group, as well as setting new business directions and objectives to enable our further growth. This enhanced and strengthened management team will certainly open up a new phase for the further development of the Group, leading the Group to a more energetic and more youthful atmosphere. As such, the Company has embarked on a mission of continuous improvement, assertively pursuing service excellence and fruitful result for the shareholders of the Company.

OUTLOOK

Year 2002 was a very challenging one for the Group's businesses. The overall economy of Hong Kong remains sluggish and deteriorating, resulting in cutthroat competition and lean margins on most industries. However, the Group believes that the situation is not at all pessimistic. In June, IDC predicted that China's IT market is expected to expand by 24 percent in 2003, and the total IT market in Hong Kong is expected to reach US\$4.9 billion in 2005. With 12 years of solid experience in the Mainland China market and strong client base built, we believe the Group is in a very good position to seize the opportunities simulated. On the other hand, the Group will keep optimizing the business strategies and executing prudent financial control measures to prepare for the revival of the Hong Kong economy.

With a new set of strategies, enhanced management and successful restructuring of the Group, the Board believes we have charted the right course for retaining the continuous growth.

To conclude, in this time of difficulties, the Group remains conservatively optimistic on its future and confident in its capabilities to overcome the challenging times ahead.

CHAIRMAN'S STATEMENT (CONTINUED)

APPRECIATION

I would like to take this opportunity to express my gratitude to all management teams and our staff members for their dedication and significant contribution in the past year. I would also like to extend my sincere appreciation to all our fellow shareholders of the Company, customer and business partners for their continuous support and confidence in the Group.

On behalf of the Board

Huang Shaokang

Chairman

23 September 2002

REVIEW OF OPERATIONS

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The total turnover of the Group for the year 2002 was HK\$202,488,000 (2001: HK\$430,638,000), representing a decrease of 53% compared to the previous year. The decrease in the turnover resulted from the cessation of computer distribution business in Hong Kong and the general weak demand in goods and services in the IT markets.

The gross profit margin for the Group increased from 19% in 2001 to 25% in 2002. The Group successfully shifted from low profit margin business to higher profit margin business, providing more value added services to the customers and the decrease of hardware product resale.

The total operating expenses were HK\$135,947,000 for 2002 (2001: HK\$129,666,000), representing an increase of 5% compared to previous year. Under the difficult operating environment, the Group had exercised tight measures on cost control policies. Nevertheless the total administrative expenses reduced by 13% from HK\$66,142,000 in 2001 to HK\$57,699,000 in 2002. The staff costs was reduced by 18% from HK\$59,075,000 in 2001 to HK\$48,466,000 for 2002. This was mainly due to the decrease of headcount and strict staff cost control measures.

In view of the diminution in market condition resulted in long outstanding of the Group's debtors, the Group adopted a conservative approach in assessing the value of the recoverability of accounts receivables and other receivables. The provision for receivables increased from HK\$3,535,000 in 2001 to HK\$23,281,000 for 2002. Moreover, a provision for impairment of interests in associates of HK\$15,763,000 (2001: nil) and a provision for impairment of fixed assets of HK\$6,272,000 (2001: nil) were made due to the adverse market conditions of the associates. The Directors have therefore taken the decision to make full provision of such amount.

As a result of substantial decrease in turnover and huge provision for receivables and impairment of interests in associates and fixed assets, the loss attributed to shareholders amounted to HK\$71,740,000 (2001: HK\$46,146,000). The Directors believe the Group will bounce back from bottom and will be well positioned to fully capitalize on opportunities ahead.

Capital Structure

During the year, 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.

Material Acquisitions/Disposals

The Group had no material acquistions/disposals during the year under review.

Final Dividend

The Directors do not recommend the payment of a final dividend by the Company for the financial year ended 30 June 2002.

Liquidity, Financial Resources and Gearing Ratio

During the year under review, the Group financed its operations by internally generated cash flow, banking facilities and finance leases provided by banks and finance companies and a portion of the listing net proceeds.

As at 30 June 2002, the Group's consolidated shareholders' funds, current assets and net current assets were HK\$18,394,000 (2001: HK\$70,649,000), HK\$89,355,000 (2001: HK\$194,548,000) and HK\$6,822,000 (2001: HK\$52,527,000) respectively. The decrease in current assets and net current assets were mainly due to the loss for the year.

In respect of the Group's current assets of HK\$89,355,000 as at 30 June 2002, trade receivable (net of provision for doubtful debts) accounted for 28% whilst cash and cash equivalents accounted for about 49%.

As at 30 June 2002, the Group's consolidated bank overdrafts and short-term loans (interest-bearing bank and other borrowings and finance lease payables) were HK\$8,962,000 (2001: HK\$13,089,000) and HK\$22,219,000 (2001: HK\$30,607,000) respectively.

As at 30 June 2002, the Group's long-term borrowings (interest-bearing bank and other borrowings and finance lease payables) totaled HK\$6,019,000 (2001: HK\$7,986,000), of which HK\$1,279,000 matures in 2003 and HK\$3,831,000 is due for repayment in 2004 to 2006.

As at 30 June 2002, the Group's cash and cash equivalents amounted to HK\$43,770,000 (2001: HK\$71,643,000).

As at 30 June 2002, the Group's gearing ratio (basis: total liabilities over total assets) was 81% (2001: 65%).

All of the Group's cash and cash equivalents, bank debts, other borrowings and obligation under finance leases were denominated in Hong Kong dollars and United States dollars.

Although the gearing ratio is high as 81%, the Directors believe the Group has sufficient resources to discharge its debts and to satisfy its commitments and working capital requirements.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars and Renminbi. The Directors consider the impacts of foreign exchange exposure of the Group is minimal.

Employees and Remuneration Policies

As at 30 June 2002, the total number of full time employees of the Group was 200 (2001:420). Employees are remunerated according to their performance and working experience. In addition to basic salaries and participation in the mandatory provident fund scheme, staff benefits include medical scheme and share options. Share options may be granted to employees based on performance valuation in order to provide incentive and reward to them.

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 30 June 2002, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's list securities.

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, over the period from 1 July 2000 to 30 June 2002. The actual progress of these objectives over the last 6 months is explained as follows:

(a) e-Logistics Development

Key business objectives for the six months ended 30 June 2002

Actual Achievements

Soft launch of the e-Despatch solution

The e-Despatch module was in the final stage of development by the year end. It was scheduled to be soft launched in the next quarter.

Start to conduct extensive sales and marketing campaigns for the e-Despatch solution Since the product was still under development during the period, the Group was planning the appropriate sales and marketing strategies to be executed.

Begin to launch e-Fulfillment Application Services Providers ("ASP") in Hong Kong and/or the PRC, if environment allows

The ASP mechanism was found unjustified in the Hong Kong market for the time being. The public adaptation of it was slow. Therefore, the Group has held up the launching of the e-Fulfillment ASP and reallocated the resources to the enhancement of the product instead.

Begin to develop the e-Delivery module

Research on the e-Delivery module has just been started.

(b) e-Billing Development

Key business objectives for

the six months ended 30 June 2002

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

Continue to modify and enhance the features of the total e-Billing solution

Conduct active marketing campaigns for launching the total e-Billing solution

Expand the marketing team in the Asia Pacific region to cater for business growth

(c) e-Trading Development

Key business objectives for the six months ended 30 June 2002

Release the enhanced version of the e-Trading ASP which will include additional value-added services and features, if required

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

Actual Achievements

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

The development of additional modules for internet application, call centre and multilingual support are in progress and are showing positive results.

In view of the intense competition, the Group conducted assertive direct sales activities instead of marketing activities, which we believed would be more effective.

The Group maintained its core marketing team and believed there was sufficient staff in the period. More staff will be recruited to cater for business growth.

Actual Achievements

The research and development of the e-Trading ASP has been continued. The Group is attentive to the market changes and will have rapid response to market conditions.

Due to uncertainties of the economy, the Group kept a very prudent attitude towards investment opportunities, especially on the e-Trading area. There were a few strategic partners identified which we believe could synergize our products. Further discussion of collaboration was in progress with no agreement reached yet.

(d) Strengthening Research and Development capabilities

Key business objectives for

the six months ended 30 June 2002

Actual Achievements

Release new solutions and commence relevant sales and marketing activities, if applicable The Group has realigned our core businesses in the period and established new directions. There were some sales and marketing activities for these business directions started.

Training of staff from time to time

The Group believes trainings are crucial for the understanding of the latest technologies. Engineers thus were sent to attend technical trainings regularly.

Recruit software engineers and technical staff when necessary

The Group always welcomes talented staff and recruits experienced staff whenever necessary. The Group believed that on average, there were adequate engineers and technical staff for product research and development in the period.

(e) Strategic investments, acquisitions and collaboration

Key business objectives for the six months ended 30 June 2002

Actual Achievements

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

The Group observed some application solutions that are with business opportunity in the Mainland China. Due to the stagnation of the economy, the Group remained conservative in its investment, acquisitions and collaboration. Therefore, these solutions were still under review in the period.

USE OF PROCEEDS

As a result of the listing of the Company's shares on the GEM of the Stock Exchange 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
		Amount	Proceeds as
		utilized up	stated in the
		to 30 June	2001 Annual
		2002	Report
		HK\$ million	HK\$ million
1.	Research and development of existing and new software products and solutions	23.0	25.0
2.	Establishment of software centres, co-operation with academic institutions and other related IT companies	14.0	21.0
3.	Marketing and promotion activities for new software products and solutions	8.0	8.4
4.	Repayment of an independent third party loan	5.0	5.0
5.	Working capital	11.6	11.6
		61.6	71.0

The remaining balance of the proceed of HK\$9.4 million would be used in the above areas.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

HUANG Shaokang (Chairman)

YIP Sam Lo (Managing Director)

XU Jie

XIN Yi

LEUNG Yiu Chown, Desmond

Non-executive Director

Kwong Chak Chung

Independent non-executive Directors

David Egryn JONES

LI Ming Lun

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

Kim Eng Capital (Hong Kong) Limited

AUDIT COMMITTEE

YIP Sam Lo

LI Ming Lun (Chairperson)

David Egryn JONES

LEGAL ADVISERS TO THE COMPANY

Woo, Kwan, Lee & Lo

AUDITORS

Ernst & Young

Certified Public Accountants

REGISTERED OFFICE

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

British West Indies

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

Hang Seng Bank

The Shanghai Commercial Bank

The Bank of East Asia

The Hong Kong and Shanghai Banking Corporation Limited

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and of the senior management of the Group are set out below.

DIRECTORS

Executive Directors

Mr. HUANG Shao Kang, aged 37, is the chairman of the Group. He joined the Group in 2002 and is responsible for overall strategy and planning of the Group. Mr. Huang has over 12 years of experience in the management of various companies which invest mainly on the IT and electronic industry. He has solid experiences in trade and business in the People's Republic of China (the "PRC"), Singapore and Hong Kong. Mr. Huang studied in the Physics Department in the University of Hui Zhou, the PRC from 1983 to 1986.

Mr. YIP Sam Lo, aged 55, is the managing director and president 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 in Mathematics and from the Texas A & M University, the US with a Master's degree in Computing Science.

Mr. XU Jie, aged 39, is a vice president and the director of systems integration business of the Group. He joined the Group in 1994 and has over 20 years of experience in the IT industry. Prior to joining the Group, he 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, the PRC with a certificate in Computing Science.

Mr. XIN Yi, aged 31, is a vice president and the director of IT development outsourcing services of the Group. Mr. Xin has 10 years of experience in engineering and management, and he was previously a general manager of one of the PRC offices of Legend Holdings Limited. He holds a Bachelor's degree in Computer Science from Shan Dong University, the PRC.

Mr. LEUNG Yiu Chown, Desmond, aged 49, joined the Group in 1995 and has over 18 years of experience in the IT industry, and he was the head of the 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 in Electrical Engineering.

Non-executive Director

Mr. KWONG Chak Chung, aged 52, joined the Group in 1993 and has over 27 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 10 years. Mr. Kwong graduated from the University of Iowa State, the US with a Bachelor's degree in Electrical Engineering and a Master's degree in Computing Science. He also holds a Master's degree in Business Administration from the Chinese University of Hong Kong.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (CONTINUED)

DIRECTORS (Continued)

Independent non-executive Directors

Mr. David Egryn JONES, aged 58, 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 Middle Eastern countries. Mr. Jones holds a Bachelor's degree in Physics (honors) from the University of Wales, United Kingdom.

Mr. LI Ming Lun, aged 54, is the executive vice president of a private IT company, and has held several key positions in technology development companies which are affiliated to companies listed on the New York Stock Exchange, including Nortel Networks and Digital Equipment Corporation. Mr. Li holds a Bachelor's degree in Mathematics from the Chinese University of Hong Kong and a Master's degree in Computer Science from Indiana University, USA. Mr. Li is also a member of the IT Committee of the HKSAR Government's Innovative Technology Committee.

SENIOR MANAGEMENT

Mr. TSUNG Shih Kin, Samuel, aged 52, is a vice president and the head of research & development 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 in Electrical Engineering.

Mr. CHIU Sin Ping, Patrick, aged 44, is the general manager of the Hong Kong operation. He joined the Group in 2001. Prior to joining the Group, Mr. Chiu worked in a renowned multinational consulting firm and was responsible for project management and enterprise transformation for various business sectors. Mr. Chiu has over 20 years of experience in the IT field of the Asia-Pacific market. He holds a Master's degree in Applied Science, Information Science from the University of Technology, Australia.

Mr. WONG Tak, Lawrence, aged 44, is the general manager of the logistics solutions of the Group. He joined the Group in 1996 and is responsible for the business development and management of the Group's logistics solutions business. He has over 20 years of experience in the IT industry. Prior to joining the Group, Mr. Wong operated his own business in the development of radio frequency data communication systems, and had also worked in the technical departments of several major IT companies in Hong Kong.

Mr. ZHANG Xu Lin, Ken, aged 48, is the general manager of IT development outsourcing services of the company. He is responsible for the business planning and development of the Group's IT development outsourcing business. Mr. Zhang has been in the computing field for over 20 years. He holds a Bachelor's degree in Electronic from the Shanghai Television University, the PRC and a Master's degree in Economics from Shanghai Social Academy of Sciences, the PRC.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (CONTINUED)

SENIOR MANAGEMENT (Continued)

Mr. HE Hua Guang, age 36, is the general manager of professional services of the company. He joined the Group in 1997 and is responsible for the development and management of the Group's provision of IT professional services business. Mr. He has over 10 years of experience in the IT field. He graduated from the Harbin Institute of Technology, the PRC, with a Bachelor's degree in Mechanical & Electronic Engineering and a Master's degree in Engineering Management.

Mr. WONG Huk Yung, Hudson, aged 36, is the financial controller of the Group. He joined the Group in 2000 and is responsible for the accounting and finance 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.

Mr. CHOW Siu Kwong, Daniel, aged 32, is a software research & development centre manager of the Group. He joined the Group in 2000 and is responsible for development of Group's software technology and methodology. Mr. Chow has 10 years of experience in the IT industry and has worked for key IT solution providers before joining the Group. He graduated from Victoria University of Technology, Australia, with a Bachelor's degree and a Master's degree in Computer Science.

Mr. YIP Wing Kong, Oliver, aged 29, is a senior system architect of the Group. He joined the Group in 2001 and is responsible for the software development. Prior to joining the Group, Mr. Yip has held several key technical positions on IT companies in the region, and had participated in the development of various information technology projects. He graduated from Massachusetts Institute of Technology, USA, with a Bachelor's degree and a Master's degree in Electrical Engineering and Computer Science.

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 Prince IV, 3rd Floor, The Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong on Tuesday, 29 October 2002 at 10:00 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 2002;
- 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";

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE OF ANNUAL GENERAL MEETING

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

YIP Sam Lo

Managing Director

Hong Kong, 27 September 2002

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 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 Thursday, 24 October 2002 to Tuesday, 29 October 2002, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfer document accompanied by the relevant share certificates must be lodged with the 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 Wednesday, 23 October 2002.
- 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.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 16 to the financial statements. During the year, the Group discontinued the distribution of computer equipment business, further details of which are included in note 8 to the financial statements. There were no other changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area for the year ended 30 June 2002 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 30 June 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 81.

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 Group reorganisation (the "Reorganisation"), which became effective on 8 July 2000. 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.

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 and minority interests 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 2001, 2000 and 1999 and for the three years then ended and the summary financial information for the year ended 30 June 1998 have been extracted from the Company's annual reports dated 24 September 2001 and 27 September 2000 and its prospectus dated 27 July 2000, respectively, and reclassified as appropriate.

SUMMARY FINANCIAL INFORMATION (Continued)

RESULTS

	Year ended 30 June				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
Continuing operations	177,129	348,532	297,525	218,346	192,311
Discontinued operations	25,359	82,106	71,897	43,019	47,908
	202,488	430,638	369,422	261,365	240,219
Other revenue and gains	11,872	4,218	712	591	667
Cost of goods sold	(151,130)	(349,498)	(275,885)	(185,038)	(177,748)
Selling and distribution costs	(7,365)	(28,090)	(17,583)	(8,106)	(4,198)
Technical expenses	(23,795)	(26,926)	(23,738)	(22,779)	(15,193)
Administrative expenses	(57,699)	(66,142)	(33,745)	(35,283)	(36,973)
Other operating expenses	(47,088)	(8,508)	(338)	(1,443)	
PROFIT/(LOSS) FROM OPERATING ACTIVITIES					
Continuing operations	(68,699)	(23,106)	16,573	9,535	3,470
Discontinued operations	(4,018)	(21,202)	2,272	(228)	3,304
	(72,717)	(44,308)	18,845	9,307	6,774
Deficit on revaluation of leasehold					
land and buildings	(820)	(1,020)	(3,286)	_	_
Finance costs	(2,933)	(3,931)	(3,328)	(2,887)	(2,023)
Share of losses of a jointly-controlled entity	(1,378)	_	_	_	_
Share of profits of associates	366	164	55	18	5
PROFIT/(LOSS) BEFORE TAX	(77,482)	(49,095)	12,286	6,438	4,756
Tax	(430)	(1,080)	(2,430)	(1,175)	(1,043)
PROFIT/(LOSS) BEFORE MINORITY					
INTERESTS	(77,912)	(50,175)	9,856	5,263	3,713
Minority interests	6,172	4,029	(1,262)	(1,059)	(789)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE					
TO SHAREHOLDERS	(71,740)	(46,146)	8,594	4,204	2,924

SUMMARY FINANCIAL INFORMATION (Continued)

ASSETS AND LIABILITIES AND MINORITY INTERESTS

	Year ended 30 June			
	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	108,876	229,161	189,812	137,261
Total liabilities	(88,552)	(150,007)	(134,867)	(99,977)
Minority interests	(1,930)	(8,505)	(9,486)	(4,224)
	18,394	70,649	45,459	33,060

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 15 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 26 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 27 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 2002, the Company did not have any reserves 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

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 approximately 23% of the total sales for the year and sales to the largest customer included therein amounted to approximately 7%.

Purchases from the Group's five largest suppliers accounted for approximately 48% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 20%.

None of the Directors 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. Huang Shaokang (Chairman) (appointed as executive director on 18 March 2002 and as Chairman on 5 June 2002)

Mr. Kwong Chak Chung (resigned as Chairman and executive director on 5 June 2002)

Mr. Yip Sam Lo (Managing Director)

Mr. Leung Yiu Chown, Desmond

Mr. Xu Jie

Mr. Xin Yi (appointed on 18 March 2002)

Mr. Lee Sai Yeung (resigned on 24 July 2001)

Non-executive Directors:

Mr. Lee Sai Yeung (appointed on 24 July 2001 and resigned on 8 September 2001)

Mr. Kwong Chak Chung (appointed on 5 June 2002)

Ms. Tai Kar Ping, Noreen*

Mr. David Egryn Jones*

Subsequent to the balance sheet date, on 9 September 2002, Ms. Tai Kar Ping, Noreen resigned as an independent non-executive Director. On the same date, Mr. Li Ming Lun was appointed as an independent non-executive Director.

Independent non-executive Directors

DIRECTORS (Continued)

In accordance with articles 86 and 87 of the Company's articles of association, Messrs. Xu Jie, Huang Shaokang, Xin Yi and Li Ming Lun will retire and, being eligible, offer themselves for re-election at the Company's forthcoming annual general meeting.

The independent non-executive Directors 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'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Messrs. Kwong Chak Chung, Yip Sam Lo, Leung Yiu Chown, Desmond and 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 31 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 2002, 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		
Name of Director	Notes	interests	interests	Total	
Mr. Yip Sam Lo	1	_	509,117,950	509,117,950	
Mr. Huang Shaokang	2	71,092,000	184,000,000	255,092,000	

Notes:

- Mr. Yip Sam Lo is the sole beneficial shareholder of Araucarea Holdings Ltd. ("Araucarea"), which in turn, beneficially owned 51.61% of the 1 issued share capital of Comlink Resources Limited ("Comlink"). Accordingly, Mr. Yip Sam Lo is deemed to be interested in the 509,117,950 shares of the Company owned by Comlink.
- Mr. Huang Shaokang is the sole beneficial shareholder of China Dynamic Enterprises Limited ("China Dynamic"). Accordingly, Mr. Huang is deemed to be interested in the 184,000,000 shares of the Company owned by China Dynamic. Apart from the above, Mr. Huang personally holds 71,092,000 shares of the Company.

DIRECTORS' INTERESTS IN SHARE CAPITAL (Continued)

Interests in associated corporations

			N	umber and class
			(of shares held in
				the associated
				corporation and
				the relevant
		Name of		percentage
		associated	Nature of	of the entire
Name of Director	Notes	corporation	interests	issued capital
Mr. Kwong Chak Chung	1	Comlink	Corporate	6,184
				ordinary shares
				(30.92%)
Mr. Yip Sam Lo	2	Comlink	Corporate	10,322
				ordinary shares
				(51.61%)
	2	Araucarea	Personal	1
				ordinary share
				(100%)
Mr. Leung Yiu Chown, Desmond	3	Comlink	Personal	2,888
				ordinary shares
				(14.44%)
Mr. Xu Jie	4	Comlink	Personal	606
				ordinary shares
				(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 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.

DIRECTORS' INTERESTS IN SHARE CAPITAL (Continued)

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 Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Except as disclosed under the heading "Share option schemes" below, 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 director 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.

SHARE OPTION SCHEMES

(a) 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 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 on 26 July 2000, at an exercise price of HK\$0.70, with a vesting period starting from six 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 six-month period. The Pre-IPO Plan expired on 2 August 2000, but the granted options remain exercisable.

SHARE OPTION SCHEMES (Continued)

(a) Pre-IPO share option plan (Continued)

The following share options were outstanding under the Pre-IPO Plan during the year:

	Number of			
	share options			Exercise price
Name of grantee	at 30 June 2002	Exercise period	Date of grant	per share
				HK\$
Directors				
Mr. Kwong Chak Chung	8,212,041	2 February 2001	26 July 2000	0.70
		to 23 July 2010		
Mr. Yip Sam Lo	13,699,083	2 February 2001	26 July 2000	0.70
		to 23 July 2010		
Mr. Leung Yiu Chown,	3,814,628	2 February 2001	26 July 2000	0.70
Desmond		to 23 July 2010		
	25,725,752			

No options were exercised under the Pre-IPO Plan up to the date of this report.

SHARE OPTION SCHEMES (Continued)

(b) Share option scheme

The Company adopted a share option scheme (the "Scheme") on 24 July 2000 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Pursuant to the Scheme, the Board of Directors 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 Scheme became effective for a period of ten years commencing on the listing of the Company's shares on 2 August 2000. Further details of the Scheme are also set out in the Prospectus of the Company dated 27 July 2000.

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 shareholders renew the 10% limit from time to time which have been duly allotted and issued. At 30 June 2002, the number of shares issuable under the share options granted under the Scheme was 42,804,000, together with the options granted under the Pre-IPO Plan, the total number of shares issuable under the Company's share option schemes amounted to 68,529,752, which represented 6.2% of the Company's shares in issue as at that date.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12 month period is limited to 25% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer;

The Directors are aware that some of the terms of the Scheme do not comply with the requirements of Chapter 23 of the GEM Listing Rules which was effected on 1 October 2001. If the Company intended to grant options under the Scheme, the Directors will ensure that any of such grant of options complies with the requirements of the said Chapter 23 of the GEM Listing Rules.

SHARE OPTION SCHEMES (Continued)

The following information on share options is required to be disclosed pursuant to the GEM Listing Rules:

Name or category of participant	Number of share options outstanding at 1 July 2001	Number of share options granted during the year	Number of share options outstanding at 30 June 2002	Date of grant*	Exercise period of share options	Exercise price per share*** HK\$
Directors						ТΙΚΦ
Mr. Leung Yiu Chown, Desmond	1,000,000		1,000,000	22 November 2000	22 November 2000 to 21 November 2003	0.38
Mr. Xu Jie	1,000,000	_	1,000,000	22 November 2000	22 November 2000 to 21 November 2003	0.38
	2,000,000		2,000,000	23 March 2001	23 March 2001 to 22 March 2004	0.228
Other comblemes	3,000,000		3,000,000			
Other employees In aggregate	10,896,000	_	10,896,000	22 November 2000	22 November 2000 to 21 November 2003	0.38
	10,920,000	_	10,920,000	23 March 2001	23 March 2001 to 22 March 2004	0.228
		16,988,000**	16,988,000	19 December 2001	19 December 2001 to 18 December 2004	0.115
	25,816,000	16,988,000	42,804,000			

^{*} The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Summary details of the Pre-IPO Plan and the Scheme are also set out in note 26 to the financial statements.

^{**} The price of the Company's shares at the date of grant of option is HK\$0.113, which is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

^{***} The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

SHARE OPTION SCHEMES (Continued)

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as an additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or lapsed prior to their exercise date are removed from the register of outstanding options.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the employees as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share options based on various speculative assumptions could be misleading to the shareholders. The Directors therefore consider the disclosure of only the relevant market price (if any) and exercise price, which are readily ascertainable, is appropriate.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the shareholders of the Company 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	Notes	Number of shares	
		Direct	Indirect
Comlink	1	509,117,950	_
Araucarea	1	_	509,117,950
China Dynamic	2	184,000,000	_

Notes:

- Comlink owned 509,117,950 shares of the Company. Araurcarea owned 51.61% of the issued share capital of Comlink. Accordingly, Araucarea
 was deemed to be interested in the same 509,117,950 shares of the Company owned by Comlink. These interests of Comlink and Araucarea
 have also been disclosed as the corporate interests of Mr. Yip Sam Lo in the above section headed "Directors' interests in share capital".
- 2. This interest of China Dynamic has also been disclosed as the corporate interests of Mr. Huang Shaokang in the above section headed "Directors' interests in share capital".

Save as disclosed above, no person had registered an interest in 10% or more of the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors who are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as Directors to represent the interests of the Company and/or the Group, pursuant to the GEM Listing Rules.

SPONSORS' INTERESTS

As updated and notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY"), other than the interests held by the employees of CPY of 1,724,000 shares as at 30 June 2002 and at the date of this report, neither CPY, nor its directors or employees had any interests in the issued share capital of the Company as at 30 June 2002 and at the date of this report.

Pursuant to an agreement dated 27 July 2000 entered with the Company, CPY receives fees for acting as the Company's retained sponsor for the period from 1 July 2001 to 15 July 2002. On 15 July 2002, the sponsor agreement was terminated.

Pursuant to an agreement dated 13 June 2002 entered into between the Company and Kim Eng Capital (Hong Kong) Limited ("Kim Eng"), Kim Eng has been appointed by the Company to replace CPY as the Company's continuing sponsor and receives fees for the period from 15 July 2002 to 30 June 2003.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules for the year ended 30 June 2002.

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 Rules 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 controls of the Group. The Committee comprises Mr. Yip Sam Lo and the two independent non-executive Directors, Mr. Li Ming Lun and Mr. David Egryn Jones. The Group's financial statements for the year ended 30 June 2002 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 Committee has held four meetings since July 2001.

COMPETITION AND CONFLICT OF INTERESTS

None of the management shareholders or the substantial shareholders of the Company, or any of their respective associates, has 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

Huang Shaokang

Chairman

Hong Kong

23 September 2002

REPORT OF THE AUDITORS

II ERNST & YOUNG

安永會計師事務所

To the members

EPRO Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 33 to 81 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 2002 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
23 September 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 June 2002

	Notes	2002	2001
		HK\$'000	HK\$'000
TURNOVER	6		
Continuing operations		177,129	348,532
Discontinued operations		25,359	82,106
		202,488	430,638
Other revenue and gains	6	11,872	4,218
Cost of goods sold		(151,130)	(349,498)
Selling and distribution costs		(7,365)	(28,090)
Technical expenses		(23,795)	(26,926)
Administrative expenses		(57,699)	(66,142)
Other operating expenses		(47,088)	(8,508)
LOSS FROM OPERATING ACTIVITIES	7		
Continuing operations	/	(68,699)	(23,106)
Discontinued operations		(4,018)	(21,202)
Discontinued operations			
		(72,717)	(44,308)
Deficit on revaluation of leasehold land and buildings		(820)	(1,020)
Finance costs	11	(2,933)	(3,931)
Share of losses of a jointly-controlled entity		(1,378)	_
Share of profits of associates		366	164
LOSS BEFORE TAX		(77,482)	(49,095)
Tax	12	(430)	(1,080)
LOSS BEFORE MINORITY INTERESTS		(77,912)	(50,175)
Minority interests		6,172	4,029
NIPT LOSS PROMODENIA DV A CTRUTTIC			
NET LOSS FROM ORDINARY ACTIVITIES	12. 27	(71.7/0)	(/(1/()
ATTRIBUTABLE TO SHAREHOLDERS	13, 27	(71,740)	(46,146)
Loss per share (HK cents):	14		
Basic		(7.4)	(5.3)
Diluted		N/A	(5.3)

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 30 June 2002

	Notes	2002	2001
		HK\$'000	HK\$'000
Exchange differences on translation of			
the financial statements of foreign subsidiaries	27	757	(204)
Net loss from ordinary activities attributable to shareholders	27	(71,740)	(46,146)
Total recognised gains and losses		(70,983)	(46,350)

CONSOLIDATED BALANCE SHEET

30 June 2002

Notes				
NON-CURRENT ASSETS 15		Notes	2002	2001
Fixed assets 15			HK\$'000	HK\$'000
Fixed assets 15	NON-CURRENT ASSETS			
Interest in a jointly-controlled entity		15	15 199	33 367
Interests in associates				
CURRENT ASSETS Due from a jointly-controlled entity 17 107 — Due from a sociates 18 27 123 Inventories 19 12,912 14,748 Trade receivables 20 25,388 95,337 Prepayments, deposits and other receivables 6,870 12,697 Tax recoverable 281 — Cash and cash equivalents 21 43,770 71,643 EURRENT LIABILITIES 89,355 194,548 CURRENT LIABILITIES 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NON-CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILI				1.246
Due from a jointly-controlled entity 17 10				
Due from a jointly-controlled entity 17 107 — Due from associates 18 27 123 Inventories 19 12,912 14,748 Trade receivables 20 25,388 95,337 Prepayments, deposits and other receivables 6,870 12,697 Tax recoverable 281 — Cash and cash equivalents 21 43,770 71,643 89,355 194,548 CURRENT LIABILITIES 89,355 194,548 CURRENT epayables 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 1,930 8,505 MI			19,521	34,613
Due from associates 18 27 123 Inventories 19 12,912 14,748 Trade receivables 20 25,388 95,337 Prepayments, deposits and other receivables 6,870 12,697 Tax recoverable 281 — Cash and cash equivalents 21 43,770 71,643 89,355 194,548 CURRENT LIABILITIES 89,355 194,548 Due to associates 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 1,930 8,505 MINORITY INTERESTS <td< td=""><td>CURRENT ASSETS</td><td></td><td></td><td></td></td<>	CURRENT ASSETS			
Due from associates 18 27 123 Inventories 19 12,912 14,748 Trade receivables 20 25,388 95,337 Prepayments, deposits and other receivables 6,870 12,697 Tax recoverable 281 — Cash and cash equivalents 21 43,770 71,643 89,355 194,548 CURRENT LIABILITIES 89,355 194,548 Due to associates 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 1,930 8,505 MINORITY INTERESTS <td< td=""><td>Due from a jointly-controlled entity</td><td>17</td><td>107</td><td>_</td></td<>	Due from a jointly-controlled entity	17	107	_
Trade receivables 20 25,388 95,337 Prepayments, deposits and other receivables 6,870 12,697 Tax recoverable 281 — Cash and cash equivalents 21 43,770 71,643 89,355 194,548 CURRENT LIABILITIES S89,355 194,548 Due to associates 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 1,930 8,505	Due from associates	18	27	123
Prepayments, deposits and other receivables 6,870 12,697 Tax recoverable 281 — Cash and cash equivalents 21 43,770 71,643 89,355 194,548 CURRENT LIABILITIES Sep.355 194,548 Due to associates 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 1,930 8,505	Inventories	19	12,912	14,748
Tax recoverable 281 — Cash and cash equivalents 21 43,770 71,643 89,355 194,548 CURRENT LIABILITIES Sep. 355 194,548 Due to associates 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505	Trade receivables	20	25,388	95,337
Cash and cash equivalents 21 43,770 71,643 89,355 194,548 CURRENT LIABILITIES 389,355 194,548 Due to associates 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505	Prepayments, deposits and other receivables		6,870	12,697
89,355 194,548 CURRENT LIABILITIES Due to associates 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505	Tax recoverable		281	_
CURRENT LIABILITIES Due to associates 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 3 6,019 7,986 MINORITY INTERESTS 1,930 8,505	Cash and cash equivalents	21	43,770	71,643
Due to associates 18 589 2,569 Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505			89,355	194,548
Trade payables 22 14,434 57,080 Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505	CURRENT LIABILITIES			
Accrued liabilities 21,479 30,403 Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505	Due to associates	18	589	2,569
Deposits received 6,505 2,056 Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505	Trade payables	22	14,434	57,080
Deferred revenue 2,990 1,965 Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 1,930 8,505 MINORITY INTERESTS 1,930 8,505	Accrued liabilities		21,479	30,403
Tax payable 5,355 4,252 Interest-bearing bank and other borrowings 23 31,181 43,696 RET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES 23 6,019 7,986 MINORITY INTERESTS 29,505			6,505	
Interest-bearing bank and other borrowings 23 31,181 43,696 82,533 142,021 NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES Interest-bearing bank and other borrowings 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505				
NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES Interest-bearing bank and other borrowings 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505			5,355	
NET CURRENT ASSETS 6,822 52,527 TOTAL ASSETS LESS CURRENT LIABILITIES 26,343 87,140 NON-CURRENT LIABILITIES Interest-bearing bank and other borrowings 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505	Interest-bearing bank and other borrowings	23	31,181	43,696
TOTAL ASSETS LESS CURRENT LIABILITIES NON-CURRENT LIABILITIES Interest-bearing bank and other borrowings 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505			82,533	142,021
NON-CURRENT LIABILITIES Interest-bearing bank and other borrowings 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505	NET CURRENT ASSETS		6,822	52,527
Interest-bearing bank and other borrowings 23 6,019 7,986 MINORITY INTERESTS 1,930 8,505	TOTAL ASSETS LESS CURRENT LIABILITIES		26,343	87,140
MINORITY INTERESTS 1,930 8,505	NON-CURRENT LIABILITIES			
	Interest-bearing bank and other borrowings	23	6,019	7,986
18,394 70,649	MINORITY INTERESTS		1,930	8,505
			18,394	70,649

CONSOLIDATED BALANCE SHEET

30 June 2002

	Notes	2002	2001
		HK\$'000	HK\$'000
CAPITAL AND RE	SERVES		
Issued capital	26	110,400	92,000
Reserves	27	(92,006)	(21,351)
	-		
		18,394	70,649

Huang Shaokang

Chairman

Yip Sam Lo

Managing Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 June 2002

	Notes	2002	2001
		HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	28(a)	(28,319)	(18,851)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		868	4,218
Interest paid on loans and overdrafts		(2,810)	(3,908)
Interest element on finance lease payments		(123)	(23)
Net cash inflow/(outflow) from returns on			
investments and servicing of finance		(2,065)	287
TAX			
Hong Kong profits tax paid		(281)	_
Overseas profits taxes (paid)/refunded		780	(1,100)
		499	(1,100)
INVESTING ACTIVITIES			
Purchases of fixed assets		(1,812)	(10,884)
Proceeds from disposal of fixed assets		286	18
Disposals of subsidiaries	28(b)	(2,963)	_
Increase in investment in an associate		(2,830)	(764)
Net cash outflow from investing activities		(7,319)	(11,630)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(37,204)	(31,294)
FINANCING ACTIVITIES	28(c)		
Issue of share capital		18,400	84,000
Share issue expenses		_	(12,460)
New other loan		9,000	_
Repayment of long term bank and other loans		(1,072)	(5,721)
Capital element of finance lease rental payments		(819)	(136)
Contribution from minority shareholders		4,856	3,950
Net cash inflow from financing activities		30,365	69,633
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(6,839)	38,339
Cash and cash equivalents at beginning of year		38,155	(184)
CASH AND CASH EQUIVALENTS AT END OF YEAR		31,316	38,155

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 30 June 2002

		Notes	2002	2001
			HK\$'000	HK\$'000
NALYSIS OF BALANCES OF CA	SH AND CASH			
EQUIVALENTS				
Cash and bank balances		21	15,193	25,228
Time deposits, with original	maturity of less than			
three months when acqui	ed	21	28,577	46,415
Bank overdrafts, secured		23	(8,962)	(13,089)
Trust receipt loans, secured	and with original maturity			
of less than three months	when acquired	23	(3,492)	(20,399)
			31,316	38,155
Time deposits, with original three months when acque Bank overdrafts, secured Trust receipt loans, secured	ed and with original maturity	21 23	28,577 (8,962) (3,492)	(20,3)

BALANCE SHEET

30 June 2002

	Notes	2002	2001
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16		20,482
investments in subsidiaries	10		20,462
CURRENT ASSETS			
Due from subsidiaries	16	_	6,865
Other receivables		32	277
Cash and cash equivalents	21	28,604	53,026
		28,636	60,168
CURRENT LIABILITIES			
Due to a subsidiary	16	_	1,748
Accrued liabilities		250	250
Bank overdrafts		74	_
		324	1,998
NET CURRENT ASSETS		28,312	58,170
NET CURRENT ASSETS			
		28,312	78,652
CAPITAL AND RESERVES			
Issued capital	26	110,400	92,000
Reserves	27	(82,088)	(13,348)
		28,312	78,652

Huang Shaokang

Chairman

Yip Sam Lo

Managing Director

NOTES TO FINANCIAL STATEMENTS

30 June 2002

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 (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "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 ePRO (BVI) Limited, the then holding company of the other subsidiaries set out in note 16 to the financial statements and became the holding company of the companies now comprising the Group. Further details of the Reorganisation are also 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 Reorgainsation involved companies under common control, and for accounting purposes, 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 dates of their acquisition pursuant to the Reorganisation on 8 July 2000.

2. CORPORATE INFORMATION

During the year, the Group was involved in the distribution of computer equipment business and the provision of professional information technology ("IT") contract services. During the year, the Group discontinued the distribution of computer equipment business, further details of which are included in note 8 to the financial statements.

30 June 2002

IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's consolidated financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12 "Business combinations subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13 "Goodwill continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 4 to the financial statements. The adoption of the SSAP has not resulted in a prior year adjustment, for the reasons detailed in notes 4 and 27 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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 periodic remeasurement of leasehold land and buildings which are stated at professional valuation, as further explained below.

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity and an associate, whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Jointly-controlled entity

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, 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 consolidated 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 impairment losses.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

30 June 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill (Continued)

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 January 2002, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

30 June 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. 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, 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 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 profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land Over the lease terms

Buildings 2% - 5%

Leasehold improvements 20% - 50%

Furniture, fixtures and equipment 20%

Computer equipment and software $18\% - 33\frac{1}{3}\%$

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.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the project are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

30 June 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 shorter of the lease terms and 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 payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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

30 June 2002

4. 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 sheet 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.

30 June 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' 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 employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This PRC subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the distribution of computer equipment; and
- (b) the value of professional IT contracts.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The Group's intersegment sales and transfers are transacted with reference to terms and conditions as used for such transactions similar to those with third parties.

5. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present turnover, loss and certain asset, liability and expenditure information for the Group's business segments.

Group

	Distribu	tion of	Value of					
	comp	uter	profes	sional				
	equips	nent*	nent* IT contr		Eliminations		Consol	idated
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
External customers	25,359	82,106	177,129	348,532	_	_	202,488	430,638
Intersegment sales	6,276		_	6,653	(6,276)	(6,653)		
merceginent sales								
Total	31,635	82,106	177,129	355,185	(6,276)	(6,653)	202,488	430,638
	_							
Segment results	(4,018)	(21,202)	(69,567)	(26,043)		(1,281)	(73,585)	(48,526)
	_							
Interest income							868	4,218
Loss from operating								
activities							(72,717)	(44,308)
Deficit on revaluation of							(/2,/1/)	(11,500)
leasehold land								
and buildings							(820)	(1,020)
Finance costs							(2,933)	(3,931)
Share of profits/(losses) of:								
A jointly-controlled								
entity	_	_	(1,378)	_	_	_	(1,378)	_
Associates	_	_	366	164	_	_	366	164
Loss before tax							(77,482)	(49,095)
Tax							(430)	(1,080)
Loss before minority								
interests							(77,912)	(50,175)
Minority interests							6,172	4,029
inormy interests								
Net loss from ordinary								
activities attributable								
to shareholders							(71,740)	(46,146)

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5. SEGMENT INFORMATION (Continued)

(a) Business segments (continued)

Group

Group								
	Distrib	ution of	Valu	ie of				
	com	puter	profes	ssional				
	equip	ment*	IT con	ntracts	Elim	inations	Consc	lidated
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	нк\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,218	7,229	52,414	136,346	_	_	53,632	143,575
Interest in a jointly-								
controlled entity	_	_	110	_	_	_	110	_
Interests in associates	_	_	4,212	1,246	_	_	4,212	1,246
Unallocated assets							50,922	84,340
Total assets							108,876	229,161
Segment liabilities	765	15,542	50,587	82,783	_		51,352	98,325
Bank overdrafts	,0)	1),)12	8,962	13,089		_	8,962	13,089
Bank and other			0,702	13,007			0,702	13,007
borrowings							28,238	38,593
Total liabilities		_		_			88,552	150,007
Other segment information:								
Depreciation	95	17	8,294	5,902	_	_	8,389	5,919
Provision for								
doubtful debts	_	113	18,570	2,190	_	_	18,570	2,303
Provision for								
other receivables	_	_	4,711	1,232	_	_	4,711	1,232
Provision for inventories	1,591	900	660	2,073	_	_	2,251	2,973
Provision for impairment								
in interests in								
associates	_	_	15,763	_	_	_	15,763	_
Provision for impairment								
of fixed assets	_	_	6,272	_	_	_	6,272	_
Capital expenditure		97	2,237	12,511			2,237	12,608

^{*} The operation of this business segment was discontinued on 1 December 2001 (see note 8).

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5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following tables present turnover, loss and certain asset, liability and expenditure information for the Group's geographical segments.

	PR	С	PR	AC .						
	Hong 1	Kong	Elsew	here	Sing	apore	Elimin	nations	Conso	lidated
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000							
Segment turnover:										
Sales to external										
customers	83,495	179,173	114,848	246,639	4,145	4,826	_	_	202,488	430,638
Segment results	(27,500)	(50,325)	(46,495)	4,151	410	(1,071)	_	(1,281)	(73,585)	(48,526)
0	===	====	===			====		===	===	===
Other segment information:										
Segment assets	91,219	211,902	75,003	119,954	932	929	(58,278)	(103,624)	108,876	229,161
Capital expenditure	931	6,049	1,292	6,528	14	31	_	_	2,237	12,608

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6. TURNOVER, REVENUE AND GAINS

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		
	2002	2001	
	HK\$'000	HK\$'000	
Continuing operations:			
Value of professional IT contract services	177,129	348,532	
Discontinued operations:			
Distribution of computer equipment	25,359	82,106	
Turnover	202,488	430,638	
Interest income	868	4,218	
Gain on disposal of subsidiaries	11,004	_	
Other revenue and gains	11,872	4,218	
Total revenue and gains	214,360	434,856	

7. LOSS FROM OPERATING ACTIVITIES

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

	Group		
	2002	2001	
	HK\$'000	HK\$'000	
	0.200	5.010	
Depreciation	8,389	5,919	
Minimum lease payments under operating leases	3,637	4,290	
Provision for doubtful debts	18,570	2,303	
Provision for other receivables	4,711	1,232	
Provision for inventories	2,251	2,973	
Provision for impairment in interests in associates	15,763	_	
Provision for impairment of fixed assets	6,272	_	
Cancellation of purchase rebate entitlement^	_	21,321	
Research and development costs	7,711	9,000	
Auditors' remuneration	650	720	
Staff costs (including directors' remuneration in note 9):			
Wages and salaries	48,466	60,283	
Less: Amount capitalised in IT contract work in progress		(1,208)	
	48,466	59,075	
Pension scheme contributions	1,025	1,201	
Less: Forfeited contributions	(601)	(146)	
Net pension contributions*	424	1,055	
Loss on disposal of fixed assets	1,494	105	
Exchange gains, net	(2,015)	(389)	

[^] This arose as a result of the cessation of the Group's personal computer distribution business in Hong Kong in the prior year.

^{*} At 30 June 2002, no forfeited contributions were available to the Group to reduce its contributions to the pension scheme in future years (2001: Nil).

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8. DISCONTINUED OPERATIONS

From 1 December 2001, the Group ceased to operate its distribution of computer equipment business. The disposal is consistent with the Group's long term strategy to concentrate on its more profitable businesses by focusing on the operations of the professional IT contracts.

9. DIRECTORS' REMUNERATION

Director's 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 is as follows:

	Group		
	2002	2001	
	HK\$'000	HK\$'000	
Fees:			
Executive directors	_	240	
Non-executive directors	_	240	
Other emoluments:			
Executive directors:			
Basic salaries, other allowances and benefits in kind	1,676	2,534	
Discretionary bonuses	_	_	
Pension scheme contributions	41	81	
Non-executive directors	_	_	
	1,717	3,095	

The number of executive directors and non-executive directors whose emoluments fell within the band of nil to HK\$1,000,000 is seven and four, respectively.

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9. DIRECTORS' REMUNERATION (Continued)

	2002	2001
	HK\$'000	HK\$'000
Executive director A	772	951
Executive director B	273	884
Executive director C	672	780
Executive director D*	_	N/A
Executive director E*	_	N/A
Executive director F**	N/A	240
Executive director G**	N/A	_
Independent non-executive director A	_	120
Independent non-executive director B	_	120
Non-executive director C*	_	N/A
Non-executive director D*	_	N/A
	1,717	3,095

^{*} newly appointed in the current year

No further emoluments were paid by the Group to the executive and non-executive directors, either as an inducement upon joining or 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.

During the year, there were no share options granted to the directors in respect of their services to the Group.

^{**} resigned during the year

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10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included one director (2001: two directors), details of whose emoluments are set out in note 9 above. The details of the emoluments paid to the remaining four (2001: three) highest paid, non-director individuals during the year are set out below:

	2002	2001
	HK\$'000	HK\$'000
Basic salaries, other allowances and benefits	3,487	2,777
Pension scheme contributions	119	61
	3,606	2,838

The number of the highest paid, non-director individuals whose emoluments fell within the following bands is set out below:

	2002	2001
	Number of	Number of
	individuals	individuals
Nil-HK\$1,000,000	3	2
HK\$1,000,001-HK\$1,500,000	1	1

During the year, 340,000 and 2,000,000 share options were granted to two of the highest paid individuals in respect of their services to the Group, further details of which are set out under the heading "Share option schemes" in the Report of the Directors on pages 25 to 29. No value in respect of the share options granted during the year has been charged to the profit and loss account or included in the above disclosure of emoluments.

11. FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest expenses on bank loans and overdrafts	1,642	2,672
Interest expenses on other loans	1,168	1,236
Interest expenses on finance lease payments	123	23
Total finance costs	2,933	3,931
		<u> </u>

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12. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2001: Nil).

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

	Group		
	2002	2001	
	HK\$'000	HK\$'000	
Group:			
Provision for the year:			
PRC:			
Hong Kong	_	_	
Elsewhere	314	1,092	
Deferred tax credit	l	(12)	
	314	1,080	
Underprovision in the prior year:			
PRC:			
Hong Kong	_	_	
Elsewhere	9	_	
	9		
Jointly-controlled entity:			
PRC:			
Hong Kong	_	_	
Elsewhere	107	_	
	107	-	
Tax charge for the year	430	1,080	

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13. 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 for the year ended 30 June 2002 is HK\$68,740,000 (2001: HK\$38,347,000).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$71,740,000 (2001: HK\$46,146,000) and the weighted average number of 972,427,397 (2001: 866,556,493) ordinary shares of the Company.

Diluted loss per share for the year ended 30 June 2002 has not been calculated, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted loss per share for the year ended 30 June 2001 was based on the net loss from ordinary activities attributable to shareholders for the year of HK\$46,146,000. The weighted average number of ordinary shares used in the calculation was the sum of 866,556,493 ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average of 316,954 ordinary shares assumed to have been issued upon the exercise of all share options outstanding during that year.

15. FIXED ASSETS

Group

			Computer		
Leasehold land	Leasehold	fixtures and	equipment	Motor	
and buildings	improvements	equipment	and software	vehicles	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
10,793	5,236	5,149	27,886	2,591	51,655
_	146	175	1,916	_	2,237
_	(248)	(844)	(2,299)	(790)	(4,181)
_	(948)	(775)	(4,326)	_	(6,049)
(1,100)	_	_	_	_	(1,100)
22	141	133	476	128	900
9,715	4,327	3,838	23,653	1,929	43,462
_	4,327	3,838	23,653	1,929	33,747
315	_	_	_	_	315
9,400					9,400
9,715	4,327	3,838	23,653	1,929	43,462
16	2,872	2,769	11,240	1,391	18,288
301	705	701	6,384	298	8,389
_	466	103	5,703	_	6,272
_	(63)	(432)	(1,498)	(408)	(2,401)
_	(542)	(318)	(1,510)	_	(2,370)
(280)	_	_	_	_	(280)
7	50	44	173	91	365
44	3,488	2,867	20,492	1,372	28,263
9,671	839	971	3,161	557	15,199
10,777	2,364	2,380	16,646	1,200	33,367
	and buildings HK\$'000 10,793 — — (1,100) 22 9,715 — 315 9,400 — 9,715 16 301 — (280) 7 44 9,671	and buildings improvements HK\$'000 HK\$'000 10,793 5,236 — 146 — (248) — (948) (1,100) — 22 141 9,715 4,327 315 — 9,400 — 9,715 4,327 16 2,872 301 705 — 466 — (63) — (542) (280) — 7 50 44 3,488 9,671 839	and buildings improvements equipment HK\$'000 HK\$'000 HK\$'000 10,793 5,236 5,149 — 146 175 — (248) (844) — (948) (775) (1,100) — — 22 141 133 9,715 4,327 3,838 315 — — 9,400 — — 9,715 4,327 3,838 315 — — 9,715 4,327 3,838 316 2,872 2,769 301 705 701 — 466 103 — (63) (432) — (542) (318) (280) — — 7 50 44 44 3,488 2,867	and buildings improvements equipment and software HK\$'000 HK\$'000 HK\$'000 10,793 5,236 5,149 27,886 — 146 175 1,916 — (248) (844) (2,299) — (948) (775) (4,326) (1,100) — — — 22 141 133 476 9,715 4,327 3,838 23,653 315 — — — 9,400 — — — 9,715 4,327 3,838 23,653 16 2,872 2,769 11,240 301 705 701 6,384	and buildings improvements equipment and software vehicles HK\$'000 HK\$'000 HK\$'000 HK\$'000 10,793 5,236 5,149 27,886 2,591 — 146 175 1,916 — — (248) (844) (2,299) (790) — (948) (775) (4,326) — — (1,100) — — — — 22 141 133 476 128 — 9,715 4,327 3,838 23,653 1,929 — 9,400 — — — — — 9,715 4,327 3,838 23,653 1,929 16 2,872 3,838 23,653 1,929 16 2,872 2,769 11,240 1,391 301 705 701 6,384 298 — 466 103 5,703 — — 6(

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15. FIXED ASSETS (Continued)

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

	Hong Kong	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Long term lease	_	315	315
Medium term lease	9,400		9,400
	9,400	315	9,715

The Group's leasehold land and buildings in Hong Kong are stated at valuation, on an open market, existing use basis performed by China Hong Kong Auctioneers Valuers Ltd., independent property consultants, at 30 June 2002.

The Group's leasehold land and buildings in the PRC are stated at valuation at 31 May 2000 performed by Chesterton Petty Limited, international property consultants, on an open market, existing use basis less accumulated depreciation provided up to 30 June 2002. No revaluation was performed as at 30 June 2002 as, in the opinion of the directors, there was no material fluctuation between the valuation and the net book value of the leasehold land and buildings at the balance sheet date.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying values would have been approximately HK\$9,671,000 (2001: HK\$10,777,000) as at 30 June 2002.

At 30 June 2002, the Group's land and buildings in Hong Kong with an aggregate carrying value of HK\$9,400,000 (2001: HK\$10,500,000) were pledged to secure banking facilities granted to the Group (note 23(a)).

Included in the total amount of fixed assets at 30 June 2002 is the net book value of assets held under finance leases amounting to HK\$230,000 (2001: HK\$1,558,000).

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16. INTERESTS IN SUBSIDIARIES

	Company		
	2002	2001	
	HK\$'000	HK\$'000	
Unlisted shares, at cost	45,459	45,459	
Provision for impairment	(45,459)	(24,977)	
		20,482	
Due from subsidiaries	62,129	21,888	
Provision for amounts due from subsidiaries	(62,129)	(15,023)	
Due to a subsidiary		6,865 (1,748)	
		5,117	
		25,599	

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

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16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

		Nominal			
		value of			
		issued and	Perce	entage of	
	Place of	fully paid	issued	l capital/	
	incorporation	share capital/	r	egistered	
	registration/	registered	capita	l held by	Principal
Name	and operations	capital	the C	Company	activities
			Direct	Indirect	
ePRO (BVI) Limited	British Virgin	Nil	100	_	Investment
	Islands				holding
ERPO Systems Limited	Hong Kong	Ordinary HK\$2;	_	100	Investment
		Non-voting			holding and
		deferred			provision of
		HK\$15,099,769			management
					services
EPRO Systems (HK)	Hong Kong	HK\$100,000	_	100	Investment holding
Limited					and provision of
					professional IT
					contract services
EPRO Sistemas Informatico	s Macau	MOP300,000	_	100	Provision of
(Macau), Limitada					professional IT
					contract services
EPRO Systems (China)	Hong Kong	HK\$925,000	_	100	Investment holding
Limited					and provision of
					professional IT
					contract services
EPRO Technology Limited	Hong Kong	HK\$1,000,000	_	100	Investment holding
EPRO Computer Systems	PRC	HK\$10,000,000	_	100	Provision of
(Guangzhou) Company					professional IT
Limited^					contract services

Manainal

16. INTERESTS IN SUBSIDIARIES (Continued)

		Nominal			
		value of			
		issued and	Perce	entage of	
	Place of	fully paid	issued	l capital/	
	incorporation	share capital/	re	egistered	
	registration/	registered	capita	l held by	Principal
Name	and operations	capital	the C	Company	activities
			Direct	Indirect	
EPRO Computer Systems	PRC	US\$700,000	_	100	Provision of
(Beijing) Company					professional IT
Limited^					contract services
EPRO Computer Systems	PRC	US\$200,000	_	100	Provision of
(Shanghai) Company					professional IT
Limited^					contract services
EPRO Systems (S) Pte.	Republic of	S\$400,000	_	90	Provision of
Limited ^	Singapore				professional IT
					contract services
EPROBJLIB Information	PRC	US\$150,000	_	_	Ceased
Technology Limited^				(2001: 51)	operations
Dillion Enterprises Corp.	British Virgin	US\$1	_	100	Provision of
	Islands				professional
					IT contract
					services
EPRO Guangzhou	PRC	HK\$4,000,000	_	100	Software
Software Technology					development
Limited*∧					and distribution
Guangzhou EPRO Compute	er PRC	HK\$1,500,000	_	_	In liquidation
Systems Limited					

^{*} newly incorporated during the year

[^] Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group		
	2002	2001	
	HK\$'000	HK\$'000	
Share of net assets	110	_	
Due from a jointly-controlled entity	107	_	
	217		

The balance with the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entity are as follows:

			Perc	centage	
		Place of	of own	nership	
		incorporation/	i	nterest	
	Business	registration	attril	butable	Principal
Name	structure	and operations	to the	Group	activities
			2002	2001	
TRS Information Technology	Corporate	PRC	36	51	Software
Company Limited					development
(formerly					and distribution
Beijing EPRO Beixin					
Information Technology					
Company Limited)					

The Group's interest in the jointly-controlled entity is indirectly held through a wholly-owned subsidiary. The Group is entitled to 33.3% of voting power and 36% of profit sharing of the jointly-controlled entity.

18. INTERESTS IN ASSOCIATES

	Group		
	2002	2001	
	HK\$'000	HK\$'000	
Share of net assets	4,212	1,246	
Due from associates	3,450	123	
Less: Provision for amount due from an associate	(3,423)		
	27	123	
Due to associates	(589)	(2,569)	
	(562)	(2,446)	
	3,650	(1,200)	

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

Particulars of the associates are as follows:

Technology Company

Limited*)

			Perc	entage	
		Place of	of own	ership	
		incorporation/	i	nterest	
	Business	registration	attril	outable	Principal
Name	structure	and operations	to the Group		activities
			2002	2001	
Tongji EPRO	Corporate	PRC	49	49	Provision of
Information Technology					professional
Company Limited					IT contract
(formerly Shanghai					services
Tongji Information					

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18. INTERESTS IN ASSOCIATES (Continued)

			Perc	entage	
		Place of	of own	ership	
		incorporation/	i	nterest	
	Business	registration	attril	outable	Principal
Name	structure	and operations	to the	Group	activities
			2002	2001	
Connex Networks Limited*	Corporate	Hong Kong	$33\frac{1}{3}$	331/3	Provision of
					professional
					IT contract
					services
EPRO AS&T Limited*	Corporate	Hong Kong	46	46	Dormant
eTradeGo Limited	Corporate	British Virgin	47.49	55	Investment
		Islands			holding
2GoTrade.com Limited	Corporate	Hong Kong	47.49	55	Provision of
					Application
					Services
					Provider
					services
Shanghai Harbor eLogistics	Corporate	PRC	30	_	Software
Software Co. Ltd.					development
					and distribution

^{*} Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The Group's interests in the associates are indirectly held through wholly-owned subsidiaries. The Group is entitled to the same percentage of voting power and profit sharing as denoted in the ownership percentage.

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19. INVENTORIES

	Group		
	2002 200		
	HK\$'000	HK\$'000	
		4.204	
IT contract work in progress	_	1,281	
Merchandise for sale	12,912	13,467	
	12,912	14,748	

There were no inventories stated at net realisable value at the balance sheet date (2001: HK\$1,567,000).

20. TRADE RECEIVABLES

An aged analysis of trade receivables, based on invoice date, is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current to 3 months	23,208	70,704
4 to 6 months	3,534	10,719
7 to 9 months	2,144	2,985
10 to 12 months	2,623	5,358
Over 1 year	14,776	8,771
	46,285	98,537
Less: Provision for doubtful debts	(20,897)	(3,200)
	25,388	95,337

The credit terms given to the customers vary, and are generally around three months and granted based on the financial strength of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management.

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21. CASH AND CASH EQUIVALENTS

	Group		Company		
	2002	2001	2002	2001	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Cash and bank balances	15,193	25,228	27	6,611	
Time deposits	28,577	46,415	28,577	46,415	
	43,770	71,643	28,604	53,026	

22. TRADE PAYABLES

An aged analysis of trade payables, based on invoice date, is as follows:

	Group	
	2002 20	
	HK\$'000	HK\$'000
Current to 3 months	9,615	42,763
4 to 6 months	581	4,439
7 to 12 months	1,908	6,184
Over 1 year	2,330	3,694
	14,434	57,080

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		roup
	Notes	2002	2001
		НК\$'000	HK\$'000
Bank overdrafts, secured	(a)	8,962	13,089
Bank loans, secured	(a)	7,034	8,106
Trust receipt loans, secured	(a)	3,492	20,399
Loans from related companies, unsecured	(b)	8,500	8,500
Other loan, secured	(c)	9,000	_
Finance lease payables (note 24)		212	1,588
		37,200	51,682
Wholly repayable within one year:			
Bank loans, overdrafts and trust receipt loans		13,681	35,196
Loans from related companies		8,500	8,500
Other loan		9,000	
		31,181	43,696
Repayable in the second year		1,279	1,699
Repayable in the third to fifth years, inclusive		3,831	5,025
Repayable beyond five years		909	1,262
		37,200	51,682
Less: Portion classified as current liabilities		(31,181)	(43,696)
Long term portion		6,019	7,986

Notes:

- (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 2002 of HK\$9,400,000 (2001: HK\$10,500,000) (note 15); and
 - (ii) corporate guarantees from the Company and certain subsidiaries in the amount of HK\$31,300,000 (2001: HK\$49,565,000).

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23. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

- (b) The loans from related companies are unsecured, bear interest at Hong Kong dollar prime rate per annum, and are repayable on or before 30 June 2003.
- (c) Other loan was guaranteed by the Company, bore interest at Hong Kong dollar prime rate per annum and was fully repaid in July 2002.

24. FINANCE LEASE PAYABLES

The Group leases certain of its computer equipment and software for its provision of IT contract services. These leases are classified as finance leases and have remaining lease terms ranging from one to three years. The average discount rates implicit in the leases range from 7.3% to 16.7%.

At 30 June 2002, the total future minimum lease payments under finance leases and their present values were as follows:

		Present value		Present value
	Minimum lease	of minimum	Minimum lease	of minimum
	payments	lease payments	payments	lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	2002	2002	2001	2001
Amounts payable:				
Within one year	88	76	863	754
In the second year	88	80	737	679
In the third to fifth years, inclusive	58	56	165	155
Total finance lease payments	234	212	1,765	1,588
Future finance charges	(22)		(177)	
Total net finance lease payables	212		1,588	
Less: Portion classified				
as current liabilities	(76)		(754)	
Long term portion	136		834	

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25. DEFERRED TAX

No provision for deferred tax has been made by the Company and the Group as the net timing differences did not give rise to deferred tax liabilities at the balance sheet date (2001: Nil).

The principal components of the Group's deferred tax assets/(liabilities) not provided for, calculated at 16% (2001: 16%) on the cumulative timing differences at the balance sheet date, are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Accelerated depreciation allowances	(218)	(662)
Tax losses	10,643	8,970
Others	(77)	320
	10,348	8,628

26. SHARE CAPITAL

Shares

	Company	
	2002	2001
	HK\$'000	HK\$'000
Authorised: 10,000,000,000 shares of HK\$0.10 each	1,000,000	1,000,000
Issued and fully paid: 1,104,000,000 (2001: 920,000,000) shares of HK\$0.10 each	110,400	92,000

On 18 March 2002, 184,000,000 shares of HK\$0.10 each were allotted and issued for cash of HK\$18,400,000.

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26. SHARE CAPITAL (Continued)

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\$
At 1 July 2000	1,000,000	1	0.10
Increase in authorised share capital	9,999,000,000	_	_
Shares issued as consideration for the acquisition of the entire issued share capital of <i>e</i> BVI	_	413,879,999	41,387,999.90
New issue of shares	_	120,000,000	12,000,000.00
Capitalisation issue of shares		386,120,000	38,612,000.00
At 30 June 2001 and 1 July 2001	10,000,000,000	920,000,000	92,000,000.00
New issue of shares		184,000,000	18,400,000.00
Issued capital as at 30 June 2002	10,000,000,000	1,104,000,000	110,400,000.00

Share options

The Company operates two share option schemes, further details of which are set out under the heading "Share option schemes" in the Report of the Directors on pages 25 to 29.

(a) Pre-IPO share option plan (the "Pre-IPO Plan")

At the beginning of the year, there were 25,725,752 options outstanding under the Pre-IPO Plan, which entitled two executive directors and one non-executive director to subscribe for shares of the Company at an exercise price of HK\$0.70, with a vesting period starting from six 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 six-month period. The Pre-IPO Plan expired on 2 August 2000, but the granted options remain exercisable.

No options were exercised as at 30 June 2002.

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26. SHARE CAPITAL (Continued)

(b) Share option scheme (the "Scheme")

At the beginning of the year, there were 25,816,000 options outstanding under the Scheme. These share options entitled the holders thereof to subscribe in cash for fully paid ordinary shares of HK\$0.10 each in the Company at subscription prices ranging from HK\$0.228 to HK\$0.38 per share (subject to adjustment) during various periods between 22 November 2000 and 22 March 2004 (both days inclusive).

During the year, the Company additionally granted 16,988,000 share options to the employees of the Group. The share options granted entitle the holders thereof to subscribe for shares of the Company at an exercise price of HK\$0.115 at any time during periods between 19 December 2001 and 18 December 2004 (both days inclusive).

No share options were exercised as 30 June 2002 and there were 42,804,000 share options outstanding at the balance sheet date.

There were 68,529,752 share options outstanding at the balance sheet date. The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 68,529,752 additional shares of HK\$0.10 each, with aggregate proceeds before related issue expenses of approximately HK\$27,808,000.

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27. RESERVES

			Retained profits/			Exchange	
	Share	Capital	(accumulated	Reserve	Expansion	fluctuation	
	premium	reserve	losses)	fund	reserve	reserve	Total
Group	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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 eBVI	(26,288)	_	_	_	_	_	(26,288)
New issue of shares	72,000	_	_	_	_	_	72,000
Share issue expenses	(12,460)	_	_	_	_	_	(12,460)
Capitalisation issue of shares	(38,612)	_	_	_	_	_	(38,612)
Foreign exchange adjustments	_	_	_	_	_	(204)	(204)
Net loss for the year			(46,146)				(46,146)
Balance at 30 June 2001							
and 1 July 2001	7,025	479	(29,165)	320	320	(330)	(21,351)
Transfer from/(to) reserves	_	_	(263)	263	_	_	_
Release upon disposal							
of subsidiaries	_	_	_	(98)	(98)	524	328
Foreign exchange adjustments	_	_	_	_	_	757	757
Net loss for the year			(71,740)				(71,740)
At 30 June 2002	7,025	479	(101,168)	485	222	951	(92,006)

The share premium account of the Group includes (i) premium arising from the new issue of the shares in the prior year; and (ii) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation upon listing over the nominal value of the share capital of the Company issued in exchange therefor.

The Group's accumulated losses as at 30 June 2002 comprise accumulated losses of HK\$100,038,000 (2001: HK\$29,407,000) retained by the Company and its subsidiaries and losses of HK\$1,271,000 (2001: Nil) and profits of HK\$141,000 (2001: HK\$242,000) retained by the jointly-controlled entity and associates, respectively.

The appropriations to the reserve fund and the expansion reserve are determined by the respective board of directors of the Group's PRC subsidiaries pursuant to the relevant laws and regulations applicable in the PRC. They are non-distributable in nature.

27. RESERVES (Continued)

The capital reserve represents negative goodwill arising on acquisition of subsidiaries which remain credited to the capital reserve due to adoption of the transitional provision of SSAP 30, as further explained in notes 3 and 4 to the financial statements.

	Share	Accumulated	
	premium	losses	Total
Company	HK\$'000	HK\$'000	HK\$'000
Shares issued as consideration for the acquisition of			
the entire issued share capital of eBVI	4,071	_	4,071
New issue of shares	72,000	_	72,000
Share issue expenses	(12,460)	_	(12,460)
Capitalisation issue of shares	(38,612)	_	(38,612)
Net loss for the year	_	(38,347)	(38,347)
Balance at 30 June 2001 and 1 July 2001	24,999	(38,347)	(13,348)
Net loss for the year	_	(68,740)	(68,740)
At 30 June 2002	24,999	(107,087)	(82,088)

The share premium account of the Company includes (i) premium arising from the new issue of shares in the prior 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.

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28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Loss from operating activities	(72,717)	(44,308)
Interest income	(868)	(4,218)
Depreciation	8,389	5,919
Provision for doubtful debts	18,570	2,303
Provision for inventories	2,251	2,973
Provision for other receivables	4,711	1,232
Provision for impairment of fixed assets	6,272	_
Gain on disposal of subsidiaries	(11,004)	_
Loss on disposal of fixed assets	1,494	105
Provision for impairment in interests in associates	15,763	_
Increase in inventories	(427)	(3,410)
Decrease in trade receivables	48,900	14,919
Increase in prepayments, deposits and other receivables	(2,088)	(1,396)
Increase/(decrease) in trade payables	(42,629)	22,727
Decrease in accrued liabilities	(6,647)	(14,114)
Increase/(decrease) in deposits received	4,449	(3,513)
Increase/(decrease) in deferred revenue	1,025	(163)
Increase in balances with a jointly-controlled entity	(107)	_
Decrease/(increase) in balances with associates	(5,307)	2,266
Decrease in an amount due to a director	_	(130)
Increase in balance with a shareholder	(2,556)	_
Increase in balances with related companies	3,995	_
Foreign exchange adjustments	212	(43)
Net cash outflow from operating activities	(28,319)	(18,851)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

	2002	2001
	HK\$'000	HK\$'000
N		
Net assets disposed of:	. (=-	
Fixed assets	3,679	1,689
Inventories	12	1,777
Trade receivables	2,479	22,842
Prepayments, deposits and other receivables	3,204	1,479
Amount due from a shareholder	2,556	_
Cash and bank balances	3,837	1,575
Trade payables	(17)	(2,402)
Accrued liabilities	(2,277)	(5,543)
Amounts due to the immediate holding company	-	(10,730)
Amount due to a related company	(3,995)	_
Amounts due to fellow subsidiaries	_	(1,658)
Bank overdrafts	(468)	_
Finance lease payables	(982)	_
Minority interests	(5,259)	(902)
	2,769	8,127
Net assets transferred to a subsidiary	_	(8,127)
Reserves released upon disposal	328	_
Gain on disposal of subsidiaries	11,004	_
	<u>14,101</u>	
Satisfied by:		
Cash	406	_
Interest in a jointly-controlled entity	1,595	_
Interests in associates	12,100	_
	14,101	1-

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28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaies (continued)

Analysis of net outflow of cash and cash equivalents in respect of disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Cash and bank balances disposed of	(3,837)	_
Bank overdrafts acquired	468	_
Cash consideration	406	
Net outflow of cash and cash equivalents		
in respect of disposal of subsidiaries	(2,963)	_

The subsidiaries disposed of contributed turnover of HK\$13,259,000, and net loss after tax of HK\$7,758,000 to the Group's consolidated results during the year ended 30 June 2002; and contributed outflow of HK\$2,963,000 to the Group's net operating cash flows for that year, but had no significant impact in respect of the investing activities, financing activities, net returns on investments and servicing of finance and tax.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Analysis of changes in financing during the year

Group	Issued capital		Finance	
	(including share	Bank and	lease	Minority
	premium)	other loans	payables	interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2000	27,485	22,327	_	9,486
Inception of finance leases	_	_	1,724	_
Net cash inflow/(outflow)				
from financing	71,540	(5,721)	(136)	_
Contributions from minority				
shareholders of subsidiaries	_	_	_	3,950
Disposal of a subsidiary	_	_	_	(902)
Share of losses				(4,029)
At 30 June 2001 and 1 July 2001	99,025	16,606	1,588	8,505
Inception of finance leases	_	_	425	_
Net cash inflow/(outflow)				
from financing	18,400	(1,072)	(819)	_
New other loan	_	9,000	_	_
Contributions from				
a minority Shareholder	_	_	_	4,856
Disposal of subsidiaries	_	_	(982)	(5,259)
Share of losses				(6,172)
At 30 June 2002	117,425	24,534	212	1,930

(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\$425,000 (2001: HK\$1,724,000).
- (ii) The transfer of the net assets of the liquidated subsidiary to a new subsidiary in the prior year as detailed in (b) above did not result in any cash flows to the Group.

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29. CONTINGENT LIABILITIES

- (a) The Company had contingent liabilities in respect of corporate guarantees for banking and finance lease facilities granted to certain subsidiaries in the aggregate amount of HK\$31,300,000 (2001: HK\$49,565,000). At the balance sheet date, such facilities were utilised by the subsidiaries to the extent of HK\$13,055,000 (2001: HK\$26,885,000).
- (b) The Group had contingent liabilities in respect of corporate guarantees for finance lease facilities granted to an associate in the aggregate amount of HK\$1,395,000 (2001: Nil).
- (c) At the balance sheet date, the Group had executed performance bonds of HK\$7,536,000 (2001: HK\$5,681,000) in respect of certain services provided by the Group.

30. COMMITMENTS

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

		Group	
		2002	2001
		HK\$'000	HK\$'000
(a)	Capital contributions to the PRC subsidiaries	6,000	14,000
		•	Group
		2002	2001
		HK\$'000	HK\$'000
(b)	Total future minimum lease payments under non-cancellable operating leases falling due as follows:		
	Within one year	1,444	569
	In the second to fifth years, inclusive	1,405	5,759
	Beyond five years	_	1,454
		2,849	7,782

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30. COMMITMENTS (Continued)

The Group's share of operating lease commitments of a jointly-controlled entity is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
(a) Total future minimum lease payments under non-cancellable operating leases falling due as follows:		
Within one year	359	_
In the second to fifth years, inclusive	104	_
	463	

31. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with the jointly-controlled entity, an associate and related companies in which certain directors of the Company have beneficial interests:

	Notes	2002 HK\$'000	2001 HK\$'000
Management fees received from associates	(a)	_	365
Interest paid to related companies	(b)	467	1,020
Purchase from the jointly-controlled entity and an associate	(c)	1,794	_
Sales to the jointly-controlled entity and an associate	(d)	423	_
Sales to related companies	(d)	4,872	_

Notes.

- (a) Management fees were charged to associates in respect of the administrative support provided by the Group which was determined by mutual negotiation with reference to the actual costs incurred.
- (b) Interest was charged on the amounts advanced by related companies at Hong Kong dollar prime rate per annum.
- (c) The purchases were made according to the prevailing market prices, except that a longer credit period was normally granted.
- (d) The sales of computer software and equipment were made according to the prevailing market prices and conditions offered to the major customers of the Group, except that a longer credit period was normally granted.

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31. RELATED PARTY TRANSACTIONS (Continued)

During the year, a financial advance of HK\$4,288,000 and sales of HK\$10,345,000 were made by the Group to a company registered in the People's Republic of China (the "PRC"), in which a director of the Company holds 51% in trust for an independent third party pursuant to a trust agreement dated 20 April 2001. As a result of the financial deficiency of this company, the Group has made a full provision of the outstanding receivable from this company at 30 June 2002 amounting to HK\$8,985,000. Based on a legal opinion from an independent PRC legal counsel, in the opinion of the directors, the company is not a related party of the Group pursuant to the aforesaid trust agreement which is confirmed as a legally enforceable agreement under the relevant trust laws in the PRC.

32. COMPARATIVE AMOUNTS

The comparative figures for the technical expenses for the year ended 30 June 2001 were reclassified from administrative expenses as in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's operating results.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 September 2002.