

ePRO

EPRO LIMITED

易寶有限公司

(Incorporated in the Cayman Islands with limited liability)

HALF-YEAR REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

HIGHLIGHTS

- For the six months ended 31 December 2002, the Group's turnover decreased by 47% to approximately HK\$67 million.
- The Group recorded a net loss from ordinary activities attributable to shareholders of approximately HK\$949,000.
- No payment of an interim dividend for the six months ended 31 December 2002 is recommended by the Directors.

UNAUDITED RESULTS

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

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
TURNOVER	2	27,203	60,568	66,601	125,172
Other revenue		59	416	1,875	1,262
Cost of goods sold		(15,018)	(41,979)	(40,900)	(88,873)
Selling and distribution cost		(1,457)	(2,604)	(3,048)	(4,833)
Administrative and other operating expenses		(11,350)	(22,706)	(26,600)	(47,743)
LOSS FROM OPERATING ACTIVITIES	3	(563)	(6,305)	(2,072)	(15,015)
Finance costs	4	(294)	(753)	(591)	(1,759)
Share of profits of associates		21	1,991	40	2,220
Share of profits of jointly controlled entity		1,139	—	1,731	—
		303	(5,067)	(892)	(14,554)
PROFIT/(LOSS) BEFORE TAX					
Tax	5	(80)	(43)	(162)	(150)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		223	(5,110)	(1,054)	(14,704)
Minority interests		7	585	105	3,228
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		230	(4,525)	(949)	(11,476)
Basic earnings/(loss) per share (HK cents)	6	0.02	(0.49)	(0.09)	(1.25)

UNAUDITED CONSOLIDATED BALANCE SHEET

		As at 31 December 2002 (Unaudited) HK\$'000	As at 30 June 2002 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		14,811	15,199
Interest in a jointly-controlled entity		1,841	110
Interests in associates		3,487	4,212
		<u>20,139</u>	<u>19,521</u>
CURRENT ASSETS			
Inventories		7,173	12,912
Trade receivables	7	20,014	25,388
Prepayments, deposits and other receivables		10,498	6,870
Due from associates		27	27
Due from a jointly-controlled entity		107	107
Tax recoverable		281	281
Cash and cash equivalents		33,492	43,770
		<u>71,592</u>	<u>89,355</u>
CURRENT LIABILITIES			
Trade payables and accrued liabilities	8	25,280	35,913
Deposits received		10,718	6,505
Deferred revenue		4,590	2,990
Tax payable		5,509	5,355
Due to associates		223	589
Interest-bearing bank and other borrowings		20,613	31,181
		<u>66,933</u>	<u>82,533</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>4,659</u>	<u>6,822</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>24,798</u>	<u>26,343</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		5,386	6,019
MINORITY INTERESTS		1,967	1,930
		<u>17,445</u>	<u>18,394</u>
CAPITAL AND RESERVES			
Issued capital		110,400	110,400
Reserves	9	(92,955)	(92,006)
		<u>17,445</u>	<u>18,394</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 December 2002 (Unaudited) <i>HK\$'000</i>	For the six months ended 31 December 2001 (Unaudited) <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	2,401	(35,226)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	—	—
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(473)	51
TAX		
Overseas profits taxes paid	(8)	(60)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(820)</u>	<u>(3,130)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES	1,100	(38,365)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>(12,078)</u>	<u>12,724</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(10,978)	(25,641)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>31,316</u>	<u>38,155</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>20,338</u></u>	<u><u>12,514</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	33,492	41,016
Bank overdrafts	<u>(13,154)</u>	<u>(28,502)</u>
	<u><u>20,338</u></u>	<u><u>12,514</u></u>

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

The accounting policies applied to the figures in the Group's half-year report for the six months ended 31 December 2002 are consistent with those applied to the annual accounts of the Group for the year ended 30 June 2002.

2. TURNOVER

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

3. LOSS FROM OPERATING ACTIVITIES

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

	For the three months ended 31 December		For the six months ended 31 December	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation:				
Owned fixed assets	771	2,069	1,585	3,932
Leased fixed assets	15	146	31	283

4. FINANCE COSTS

The finance costs comprise:

	For the three months ended 31 December		For the six months ended 31 December	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on bank loans and overdrafts	232	426	458	1,035
Interest expenses on other loans	59	233	124	548
Interest expenses on finance leases	3	94	9	176
Total finance costs	<u>294</u>	<u>753</u>	<u>591</u>	<u>1,759</u>

5. TAX

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

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

For the three months ended 31 December		For the six months ended 31 December	
2002	2001	2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group:			
Provision for the period			
— elsewhere	80	43	162
	<u>80</u>	<u>43</u>	<u>150</u>

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

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings/(loss) per share for the three months and the six months ended 31 December 2002 is based on the unaudited net profit/(loss) from ordinary activities attributable to shareholders for the said periods of approximately HK\$230,000 and HK\$949,000 respectively and on the weighted average number of 1,104,000,000 shares in issue during the three months and the six months ended 31 December 2002 respectively.

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

No diluted loss per share has been presented for the three months and the six months ended 31 December 2002 as the exercise price of the Company's outstanding share options was higher than the average market price for the period.

No diluted earnings per share has been presented for the three months and the six months ended 31 December 2001, as the Company did not have any dilutive potential ordinary shares.

7. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	As at 31 December 2002 (Unaudited) HK\$'000	As at 30 June 2002 (Audited) HK\$'000
Trade Receivables	36,542	46,285
Less: Provision for doubtful debts	(16,528)	(20,897)
	<u>20,014</u>	<u>25,388</u>
	<u><u>20,014</u></u>	<u><u>25,388</u></u>
	As at 31 December 2002 (Unaudited) HK\$'000	As at 30 June 2002 (Audited) HK\$'000
Outstanding balances with ages:		
0 to 90 days	15,762	23,208
91 to 180 days	8,655	3,534
181 to 270 days	1,050	2,144
271 to 360 days	1,341	2,623
Over 360 days	9,734	14,776
	<u>36,542</u>	<u>46,285</u>
	<u><u>36,542</u></u>	<u><u>46,285</u></u>

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

8. TRADE PAYABLES

As at 31 December 2002, trade payables and accrued liabilities accounted to approximately HK\$25,280,000 (30 June 2002: approximately HK\$35,913,000), including trade payables of approximately HK\$5,078,000 (30 June 2002: approximately HK\$14,434,000). The ageing analysis of trade payables is as follow:

	As at 31 December 2002 (Unaudited) HK\$'000	As at 30 June 2002 (Audited) HK\$'000
Outstanding balances with ages:		
0 to 90 days	2,611	9,615
91 to 180 days	1,034	581
181 to 360 days	73	1,908
Over 360 days	1,360	2,330
	<u>5,078</u>	<u>14,434</u>
	<u><u>5,078</u></u>	<u><u>14,434</u></u>

9. RESERVES

Group	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Reserve fund <i>HK\$'000</i>	Expansion reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 October 2001	7,025	479	(36,116)	320	320	(330)	(28,302)
Foreign exchange adjustments						(139)	(139)
Net loss for the period			(4,525)				(4,525)
At 31 December 2001	<u>7,025</u>	<u>479</u>	<u>(40,641)</u>	<u>320</u>	<u>320</u>	<u>(469)</u>	<u>(32,966)</u>
Balance at 1 July 2001	7,025	479	(29,165)	320	320	(330)	(21,351)
Foreign exchange adjustments						(139)	(139)
Net loss for the period			(11,476)				(11,476)
At 31 December 2001	<u>7,025</u>	<u>479</u>	<u>(40,641)</u>	<u>320</u>	<u>320</u>	<u>(469)</u>	<u>(32,966)</u>
Balance at 1 October 2002	7,025	479	(102,347)	485	222	951	(93,185)
Net profit for the period			230			230	
At 31 December 2002	<u>7,025</u>	<u>479</u>	<u>(102,117)</u>	<u>485</u>	<u>222</u>	<u>951</u>	<u>(92,955)</u>
Balance at 1 July 2002	7,025	479	(101,168)	485	222	951	(92,006)
Net loss for the period			(949)			(949)	
At 31 December 2002	<u>7,025</u>	<u>479</u>	<u>(102,117)</u>	<u>485</u>	<u>222</u>	<u>951</u>	<u>(92,955)</u>

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2002 (2001: Nil).

FINANCIAL REVIEW

For the six months ended 31 December 2002, the Group recorded an unaudited consolidated turnover of approximately HK\$67 million representing a 47% decrease as compared to the corresponding period in 2001. The unaudited net loss from ordinary activities attributable to shareholders amounted to approximately HK\$949,000. In comparison, the Group recorded an unaudited net loss from ordinary activities attributable to shareholders of approximately HK\$11.5 million for the corresponding period in 2001. The decrease in turnover of the Group was mainly due to the general weak demand in goods and services in the IT markets.

BUSINESS REVIEW

In the midst of sluggish economy, business environment in Hong Kong remains subdued. Whilst the competitions seemingly intensifying in the Mainland, the Group is focusing on this vibrant market to capture the existing and emerging opportunities and is confident to take the challenges ahead.

Systems integration services

In times of uncertainties and difficulties, well-integrated application solutions with comprehensive analysis of corporate information in responding to hastening market changes that create additional values become more and more indispensable to organizations. The Group's systems integration and system services business were maintained at a sound level in the period, supported by IT investment of the Group's enterprises clients and government entities.

IT professional services

Leveraging the Group's strength in information technology infrastructure platform and content management solutions and the enormous potential market, the Group provides specialized IT professional services in the Mainland market, in particular, to various government entities, libraries and media. Several professional services contracts were secured in the period. With solid business knowledge in these specialized areas, coupled with our outstanding service in quality, the Group believes that the demand on our professional service will continue to grow.

IT development outsourcing

To save costs and gain competitive edges, outsourcing practice is swooping in various business sectors across the region. The Group believes that the demand on IT application development outsourcing service is also gradually increasing.

Leveraging our experience in software development and the potential of the outsourcing marketing in the region, the Group kept investing resources in the IT development outsourcing business and offering software development, software maintenance, and product localization and customerization to local as well as international companies with an aim to assist them to cope with the increasingly complex applications environment in technological aspect.

Comprehensive logistics solutions

With years of experience in the Radio Frequency and Wireless technologies as well as the logistics area, the Group is keen on utilizing our expertise to assist clients in upgrading, implementing and integrating their production and supply chain related systems, so as to enhance their operation efficiencies and save costs.

The launching of our first module of comprehensive e-logistics solution - WarehousePRO - a warehouse management solution, demonstrated that effective warehouse automation can bring about higher efficiency, productivity and customer services. The Group is also developing the next module of this total e-logistics solution. It is a system module consists of route planning and route tracking. To promote these logistic solutions, the Group has proactively participated in various industry marketing events, especially those in the Mainland market.

Outlook

In view of the gradually improving market sentiment in Hong Kong and the accelerating Mainland market, the Group will continue to be conservatively optimistic to our businesses. The demand of our services and solutions appears to be improving compared to the past. Signs of rebound of IT investment, including interests of specific solutions from clients, are observed.

The Group is confident in our accelerating IT application development outsourcing business. The International Data Centre (IDC) has recently published an encouraging future for the outsourcing market. It estimated that the market will grow to nearly US\$14 billion by 2006, whereas the Asia-Pacific region will experience a compound annual growth rate (CAGR) of 24%, especially in Greater China and Korea, fueled by the generally healthy demand for all types of outsourcing services. This provides an encouraging backdrop for our future success in development outsourcing business.

The Directors believes that the business environment will continue to be challenging and highly competitive. We remain confident in our abilities to overcome the hard times ahead. By revamping our sales and marketing strategies, investing in product development, streamlining operations, providing value-oriented services to clients and maintaining steady business growth, the Group expects our effort will be finally rewarded in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation is mainly financed by the internal financial resources and bank borrowings. The current ratio of the Group as at 31 December 2002 was 1.07 (30 June 2002: 1.08). The Group's gearing ratio as at 31 December 2002 was 0.78 (30 June 2002: 0.81), calculated based on the Group's total debts of HK\$72,319,000 (30 June 2002: HK\$88,552,000) over total assets of HK\$91,731,000 (30 June 2002: HK\$108,876,000).

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by geographical area is as follows:

	Turnover			
	For the three months ended 31 December		For the six months ended 31 December	
	2002	2001	2001	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	12,756	27,218	29,310	59,635
Mainland of China	13,522	32,726	35,830	64,264
Singapore	925	624	1,461	1,273
	<u>27,203</u>	<u>60,568</u>	<u>66,601</u>	<u>125,172</u>

	Contribution to loss from operating activities			
	For the three months ended 31 December		For the six months ended 31 December	
	2002	2001	2001	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	(1,655)	(5,477)	(1,236)	(11,569)
Mainland of China	1,212	(700)	(583)	(3,215)
Singapore	(120)	(128)	(253)	(231)
	<u>(563)</u>	<u>(6,305)</u>	<u>(2,072)</u>	<u>(15,015)</u>

In accordance with the Group's internal financial reporting, the Group has chosen geographical segment information as the primary reporting format.

Segment turnover and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Approximately 44% and 54% (2001: 48% and 51%) of the Group's turnover were derived from Hong Kong and Mainland of China respectively for the six months ended 31 December 2002. Whereas Hong Kong represented 60% (2001: 77%) and Mainland of China represented 28% (2001: 21%) of the loss from operating activities of the Group for the six months ended 31 December 2002.

CAPITAL STRUCTURE

The Group generally finances its operations with internally generated cashflows, finance leases, banking facilities and loans from related companies. The Group continued to exert stringent control over treasury policies. The Company intends to finance the Group's future operations, capital expenditure and the capital requirement with the existing banking and finance lease facilities.

As at 31 December 2002, the interest rate of banking and finance leases facilities was charged at the range of Hong Kong prime rate $\pm 1\%$ (as at 30 June 2002: the interest rate of banking and finance leases facilities was charged at the range of Hong Kong prime $\pm 1\%$).

As at 31 December 2002, the amount of short-term bank and other borrowings of the Group which will be repayable within a year was about HK\$21 million (as at 30 June 2002: about HK\$31 million) and the amount of long-term bank and other borrowings of the Group which will be repayable more than a year was about HK\$5.4 million (as at 30 June 2002: about HK\$6 million).

For the six months ended 31 December 2002, there is no material change in the capital structure of the Company.

EMPLOYEE INFORMATION

As at 31 December 2002, the number of staff of the Group was 263 (as at 31 December 2001: 291). Staff remuneration is reviewed once a year or as the management deems appropriate. Changes in remuneration are based on a range of factors including the Group's performance, the competitiveness of remuneration with the external market, and individual employees' performance during the year. Employees were paid at fixed remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

CONTINGENT LIABILITIES

As at 31 December 2002, the Company had contingent liabilities in respect of corporate guarantees for banking facilities and finance leases facilities to certain subsidiaries which is about HK\$18 million (as at 30 June 2002: about HK\$31 million). Also, the Group had contingent liabilities in respect of corporate guarantees for finance lease facilities granted to an associate in the aggregate amount of HK\$1.4 million (as at 30 June 2002: HK\$1.4 million). The Group had executed performance bonds of about HK\$7.3 million (as at 30 June 2002: HK\$7.5 million) in respect of certain services provided by the Group.

FOREIGN EXCHANGE RISK

The Group mainly generated revenue and incurred costs in Hong Kong dollars and Renminbi. The Group also generate revenue in Japanese yen and a forward contract Japanese yen 60 million was purchased at 116.70 against US dollars with maturity in April 2003. The Directors consider the impact on foreign exchange exposure of the Group is minimal.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any plan for material investments and acquisition or disposal of material capital assets and/or subsidiaries and affiliated companies during the six months ended 31 December 2002.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 December 2002.

CHARGES ON ASSETS

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

	As at 31 December 2002 (Unaudited) HK\$'000	As at 30 June 2002 (Audited) HK\$'000
Leasehold properties	<u>9,260</u>	<u>9,400</u>

FINANCIAL ASSISTANCE AND GUARANTEES TO CERTAIN AFFILIATED COMPANIES AND ADVANCE TO AN ENTITY

As at 31 December 2002 and 30 June 2002, the Group has (a) a gross amount of approximately HK\$3.42 million due from an associated company, namely 2GoTrade.com Limited ("2GoTrade"), and; (b) has contingent liabilities of approximately HK\$1.395 million in respect of corporate guarantees for finance leases granted to 2GoTrade, which was utilized by 2GoTrade for the amount of approximately HK\$0.55 million (30 June 2002: HK\$0.98 million), aggregated to approximately HK\$4.82 million, represented approximately 26.2% of the net asset value (based on 30 June 2002 audited accounts) of the Group. Full provision has been made in respect of an aggregate amount of approximately HK\$3.42 million. On the other hand, as at 31 December 2002 and 30 June 2002, the Group has an amount of approximately HK\$107,000 due from a jointly-controlled entity, namely, TRS Information Technology Company Limited ("TRS") and an amount of approximately HK\$27,000 due from an associated company, namely Shanghai Harbor eLogistics Software Co. Ltd ("Shanghai Harbor"). The aggregate gross amount due from the above companies were approximately HK\$4.95 million, represented approximately 26.9% of the Net Asset Value (based on 30 June 2002 audited accounts).

On the other hand, as at 31 December 2002 and 30 June 2002, the Group had a gross amount of approximately HK\$9.6 million due from an entity - Emproson Limited, represented approximately 52% of the Net Asset Value (based on 30 June 2002 audited accounts). Full provision has been made in respect of the total amount of HK\$9.6 million. Please refer to the announcement made by the Company on 30 December 2002 for details.

Details of amount due from, guarantees given for the benefits of, the Company's affiliated companies by the Group as at 31 December 2002 are as follows:

Name of affiliated companies	Percentage of interests held by the Group %	Amounts due from affiliated companies <i>HK\$'000</i>	Provision for amounts due from affiliated companies <i>HK\$'000</i>	Guarantees given for finance leases facilities granted to an affiliated company <i>HK\$'000</i>	Total (after provision) <i>HK\$'000</i>
2GoTrade	32.46	3,423	(3,423)	1,395	1,395
Shanghai Harbor	30	27	—	—	27
TRS	36	107	—	—	107
		<u>3,557</u>	<u>(3,423)</u>	<u>1,395</u>	<u>1,529</u>

The amounts due from 2GoTrade represented amounts advanced since July 2001 in support of its daily working capital purpose and the amounts were unsecured, interest-free and have no fixed terms of repayment. In addition, the amounts due from both TRS and Shanghai Harbor were unsecured, interest-free and have no fixed terms of repayment.

The proforma combined balance sheet of the affiliated companies of the Company as at 31 December 2002, which includes the assets and liabilities of 2GoTrade, Shanghai Harbor, TRS, Connex Networks Limited, and eTradeGo Limited are summarized as below:

	Balance at 31 December 2002 <i>HK\$'000</i>	The Company's attributable interest <i>HK\$'000</i>
Fixed assets	7,078	2,696
Current assets	26,703	9,410
Current liabilities	<u>(11,474)</u>	<u>(4,776)</u>
Net current assets	<u>15,229</u>	<u>4,634</u>
Net assets	<u>22,307</u>	<u>7,330</u>

Furthermore, as at 31 December 2002, the financial assistance given to the affiliated companies of the Company remained the same as the amount as at 30 June 2002 and 30 September 2002 while utilisation of the guarantees given for finance leases facilities granted to 2GoTrade has reduced from approximately HK\$0.77 million as at 30 September 2002 to approximately HK\$0.55 million as at 31 December 2002.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2002, the interests of the directors of the Company and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Interests in the Company

Director	Note	Nature of interests	Number and percentage of ordinary shares of the Company interested
Mr. Yip Sam Lo	a	Corporate	504,217,300 (45.67%)
Mr. Huang Shaokang	b	Corporate	184,000,000 (16.67%)
		Personal	111,092,000 (10.06%)

Note:

- Mr. Yip Sam Lo is the sole beneficial shareholder of Araucarea Holdings Ltd. ("Araucarea"), the ultimate holding company of the Company which, in turn, is interested in 51.61% of the total issued share capital of Comlink Resources Limited ("Comlink"), an immediate holding company of the Company. Comlink is interested in 504,217,300 ordinary shares of the Company, representing 45.67% of the total issued share capital of the Company.
- Mr. Huang Shaokang is the sole beneficial shareholder of China Dynamic Enterprises Limited ("China Dynamic") which, in turn, is interested in 16.67% of the total issued share capital of the Company. Mr. Huang Shaokang personally holds 111,092,000 shares of the Company.

Interests in associated corporations

Director	Notes	Name of associated corporation	Nature of interests	Number and class of shares held in the associated corporation and the relevant percentage of the entire 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%)
		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:

- Mr. Kwong Chak Chung is the sole beneficial shareholder of Kenn & K (BVI) Ltd. which, in turn, is interested in 30.92% of the total issued share capital of Comlink.
- Mr. Yip Sam Lo is the sole beneficial shareholder of Araucarea which, in turn, is interested in 51.61% of the total issued share capital of Comlink.

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Except as disclosed under the heading "Share option schemes" below, at no time during the six months ended 31 December 2002 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangements to enable the Company's directors or chief executive to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

(a) Pre-IPO share option plan

Pursuant to the terms of a Pre-IPO share option plan (the "Pre-IPO Plan") adopted by the Company on 24 July 2000, options for subscribing the shares of the Company had been granted to the following directors of the Company as follows:

Name of grantee	Date of grant*	Exercise period	Exercise price HK\$	Number of shares subject to the options as at 31 December 2002
Mr. Kwong Chak Chung	26 July 2000	2 February 2001 to 23 July 2010	0.70	8,212,041
Mr. Yip Sam Lo	26 July 2000	2 February 2001 to 23 July 2010	0.70	13,699,083
Mr. Leung Yiu Chown, Desmond	26 July 2000	February 2001 to 23 July 2010	0.70	3,814,628
				<hr/> 25,725,752 <hr/>

* The vesting period of the share options is starting for a period of six months from 2 August 2000.

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

(b) **Share option scheme**

Pursuant to the terms of a share option scheme (the “Share Option Scheme”) adopted by the Company on 24 July 2000, the Directors are authorised, at their absolute discretion, to grant options to full-time employees, including any executive directors of any companies in the Group. Options for subscribing the shares of the Company had been granted as follows:

Name or category of participant	Number of share options outstanding at 1 July 2002	Number of share options granted during the period	Number of share options outstanding at 31 December 2002	Date of grant*	Exercise period of share options	Exercise price per share** HK\$
<i>Directors</i>						
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
	3,000,000	—	3,000,000			
<i>Other employees</i>						
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
	42,804,000	—	42,804,000			

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

** 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.

No option was exercised under the Share Option Scheme up to the date of this report.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, shareholders with an interest of 10% or more in the issued share capital of the Company, recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance, were as follows:

Name	Number of ordinary shares of the Company interested
Comlink (<i>Note 1</i>)	504,217,300
Araucarea (<i>Note 1</i>)	504,217,300
China Dynamic (<i>Note 2</i>)	184,000,000

Notes:

1. Comlink owned 504,217,300 ordinary shares of the Company. Araucarea owned 51.61% of the issued share capital of Comlink. Accordingly, Araucarea was deemed to be interested in the 504,217,300 shares of the Company owned by Comlink.

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

2. The above interest of China Dynamic has also been disclosed as corporate interest of Mr. Huang Shaokang in the above section headed "Directors' interests in share capital".

Save as disclosed above, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

COMPETITION AND CONFLICT OF INTEREST

None of the Directors, the management shareholders of the Company, or any of their respective associates, have engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

SPONSOR'S INTERESTS

As updated and notified by Kim Eng Capital (Hong Kong) Limited ("Kim Eng"), the Company's sponsor that, to its best knowledge, neither Kim Eng nor its directors or employees or associates had any interests in the share capital of the Company as at 31 December 2002.

Pursuant to the agreement dated 13 June 2002 entered into between the Company and Kim Eng. Kim Eng has been appointed by the Company to replace Core Pacific-Yamaichi Capital Limited as the Company's continuing sponsor and receives fees for the period from 15 July 2002 to 30 June 2003.

BOARD PRACTICES AND PROCEDURES

The Company has complied with board practices and procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules for the six months ended 31 December 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 Rule 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the Committee are to review and provide supervision over the financial reporting process and internal control of the Group. The Committee comprises Mr. Yip Sam Lo and the two independent non-executive directors, Mr. David Egryn Jones and Mr. Li Ming Lun.

The information contained in the Group’s half-year report for the six months ended 31 December 2002 has not been audited but has been reviewed by the Committee, who was of the opinion that such report complied with the applicable accounting standards, and the Stock Exchange and legal requirements and that adequate disclosures had been made.

By order of the Board
Yip Sam Lo
Managing Director

Hong Kong, 13 February 2003