

**ePRO**

**EPRO LIMITED**

**易 寶 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**THIRD QUARTERLY REPORT  
FOR THE NINE MONTHS ENDED 31 MARCH 2004**

## **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.

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 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 in order to obtain up-to-date information on GEM-listed issuers.

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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 nine months ended 31 March 2004, the Group's turnover decreased by 37% to approximately HK\$62,782,000.
- The Group recorded a net loss from ordinary activities attributable to shareholders of approximately HK\$6,702,000.
- No payment of an interim dividend for the nine months ended 31 March 2004 is recommended by the Directors.

## UNAUDITED RESULTS

The board of directors (the "Directors") of EPRO LIMITED (the "Company") announced the third quarterly unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 31 March 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

## UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	For the three months ended 31 March		For the nine months ended 31 March	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
TURNOVER	2	10,565	33,319	62,782	99,920
Other revenue		673	4,344	5,076	6,219
Cost of goods sold		(4,721)	(21,167)	(38,466)	(62,067)
Selling and distribution costs		(450)	(1,135)	(2,409)	(4,183)
Administrative and other operating expenses		(8,985)	(14,926)	(32,486)	(41,526)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(2,918)	435	(5,503)	(1,637)
Finance costs		(239)	(302)	(778)	(893)
Share of (loss)/profits of associates		(414)	91	6	131
Share of (loss)/profits of jointly controlled entity		—	(1,178)	—	553
(LOSS) BEFORE TAX		(3,571)	(954)	(6,275)	(1,846)
Tax	3	(79)	(84)	(257)	(246)
(LOSS) BEFORE MINORITY INTERESTS		(3,650)	(1,038)	(6,532)	(2,092)
Minority interests		(242)	41	(170)	146
NET (LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(3,892)	(997)	(6,702)	(1,946)
Basic (loss) per share (HK cents)	4	(0.27)	(0.09)	(0.55)	(0.18)

*Notes:*

**1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

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

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

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

The accounting policies applied to the figures in the Group's third quarterly report for the nine months ended 31 March 2004 are consistent with those applied to the annual accounts of the Group for the year ended 30 June 2003.

**2. TURNOVER**

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

**3. TAX**

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

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

	<b>For the three months ended 31 March</b>		<b>For the nine months ended 31 March</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group:				
Provision for the period				
— elsewhere	79	84	257	246

The Group did not have any significant unprovided deferred tax liabilities for the nine months ended 31 March 2004. (2003: Nil)

#### **4. LOSS PER SHARE**

The calculation of basic loss per share for the three months and the nine months ended 31 March 2004 is based on the unaudited net loss from ordinary activities attributable to shareholders for the said periods of approximately HK\$3,892,000 and HK\$6,702,000 respectively and on the weighted average number of 1,435,200,000 shares and 1,214,400,000 shares in issue during the three months and the nine months ended 31 March 2004 respectively.

The calculation of basic loss per share for the three months and the nine months ended 31 March 2003 is based on the unaudited net loss from ordinary activities attributable to shareholders for the said periods of approximately HK\$997,000 and HK\$1,946,000 respectively and on the weighted average number of 1,104,000,000 shares in issue during the three months and the nine months ended 31 March 2003 respectively.

No diluted loss per share has been presented for the three months and the nine months ended 31 March 2004 as the exercise price of the Company's outstanding share options was higher than the average market price for the period.

No diluted earnings per share has been presented for the three months and the nine months ended 31 March 2003, as the Company did not have any dilutive potential ordinary shares.

#### **5. RESERVES**

Other than the net loss for the three months ended 31 March 2004 and the share premium from rights issue, there was no movement to or from reserves during the three months ended 31 March 2004.

Other than the net loss for the three months ended 31 March 2003, there was no movement to or from reserves during the three months ended 31 March 2003.

## **DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 March 2004 (2003: Nil).

## **FINANCIAL REVIEW**

For the nine months ended 31 March 2004, the Group recorded an unaudited consolidated turnover of approximately HK\$62,782,000, representing a 37% decrease as compared to the corresponding period in 2003. The unaudited net loss from ordinary activities attributable to shareholders for the nine months ended 31 March 2004 amounted to approximately HK\$6,702,000. In comparison, the Group recorded an unaudited net loss from ordinary activities attributable to shareholders of approximately HK\$1,946,000 for the corresponding period in 2003. 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 volatile market, one of the keys to survive in challenge is about competitiveness. Organisations will have to arm themselves with value-added application solutions to stay competitive. Thus, well-integrated solutions are in stable demand amid the difficult environment. The Group remains confident to our capabilities in providing reliable and useful IT solutions.

### **Systems integration services**

The overall system integration market sentiment shows signs of improvement. The Group's systems integration and system services business remains steady in the period, supported by continuous IT investment of the Group's enterprises clients and government entities.

### **IT professional services**

Over the years, the Group has acquired solid business knowledge in information technology infrastructure platform and content management solutions areas. With our outstanding service quality, it is expected that there will be a stable demand on the Group's service in the years ahead, especially from government entities, libraries and media in the mainland market.

### **IT development outsourcing**

The Group believes the demand of IT application development outsourcing service is gradually expanding with an increased acceptance of outsourcing as a business practice across the region. The Group has been investing substantial resources in the IT development outsourcing business, offering software development and product customerization to local and international companies.

## **Comprehensive logistics solutions**

With years of experience in the logistics area, the Group is keen to utilize our knowledge and expertise to assist clients to effectively upgrade, implement and integrate their production and supply chain related systems, so to enhance their operation efficiencies while saving costs. The core product solutions include WarehousePRO, DeliveryPRO and DispatchPRO, mainly catering for the supply change execution market.

## **OUTLOOK**

In view of the gradually improving market sentiment in Hong Kong and the booming Mainland market, the Group continues to be conservatively optimistic to our businesses in general. The Directors believes as though the year ahead is still a challenging and competitive one, we remain confident of our ability to survive in the recovering industrial doom.

## **DEPLOYMENT OF HUMAN RESOURCES**

As at 31 March 2004, the number of staff of the Group was 228 (as at 31 March 2003: 269). Staff remuneration is reviewed once a year of 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.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the nine months ended 31 March 2004.

## FINANCIAL ASSISTANCE AND GUARANTEES TO AN AFFILIATED COMPANY

As at 31 March 2004 and 31 December 2003, the Group had (a) a gross amount of approximately HK\$3.42 million due from 2GoTrade Limited ("2GoTrade"); and (b) contingent liabilities of approximately HK\$1.395 million in respect of corporate guarantees for finance leases granted to 2GoTrade, which were utilised by 2GoTrade to the amount of approximately HK\$97,000 (31 December 2003: HK\$134,000). The aggregate amount of approximately HK\$4,818,000 represented approximately 25.2% of the net asset value (based on 30 June 2003 audited accounts) of the Group.

	Percentage of interests held by the Group %	Amount due from the affiliated company HK\$'000	Provision for an amount due from the affiliated company HK\$'000	Guarantees given for finance leases facilities granted to the affiliated company HK\$'000	Total (after provision) HK\$'000
2GoTrade Limited	30	<u>3,423</u>	<u>(3,423)</u>	<u>1,395</u>	<u>1,395</u>

The amount due from 2GoTrade represented amounts advanced during 1 July 2001 to 30 June 2002 in support of its daily working capital purposes and the amounts are unsecured, interest-free and have no fixed terms of repayment. A full provision of HK\$3,423,000 was made in respect of the amount due from 2GoTrade during the year ended 30 June 2002.

The balance sheet of 2GoTrade as at 31 March 2004 is set out below:

	Balance at 31 March 2004 HK\$'000	Group's attributable interest HK\$'000
Fixed assets	—	—
Current assets	1,062	319
Current liabilities	<u>(21,376)</u>	<u>(6,413)</u>
Net liabilities	<u>(20,314)</u>	<u>(6,094)</u>



## **RIGHTS ISSUE**

As detailed in the Company's announcement dated 10 November 2003, the Company proposed to raise approximately HK\$5.5 million, before expenses, by issuing not less than 496,800,000 new shares of HK\$0.01 each in the capital of the Company ("Rights Shares") by way of the issue of Rights Shares to the qualifying shareholders of the Company on the basis of nine Rights Shares for every twenty existing shares of the Company at the subscription price of HK\$0.011 per Rights Share ("Rights Issue"). The net proceeds of the Rights Issue, after deduction of expenses, are estimated to be approximately HK\$4.3 million and the Company intends apply such amount as to approximately HK\$2.0 million for product development with strategic partners, approximately HK\$1.0 million for the development and management of the Group's brandname and the balance of approximately HK\$1.3 million for participation in trade fairs and exhibitions.

At the extraordinary general meeting of the Company held on 29 December 2003, ordinary resolutions in relation to the Rights Issue and the Whitewash Waiver were approved by the independent shareholders of the Company.

The Rights Issue has been completed and dealing of the Rights Shares on GEM commenced at 9:30 a.m. on 6 February, 2004. Mr. Huang Shaokang ("Mr. Huang"), a director of the Company, and China Dynamic Enterprises Limited ("China Dynamic"), a company controlled by Mr. Huang, took up his/its entitlement of 49,991,400 Rights Shares and 82,800,000 Rights Shares respectively under the Rights Issue. Pursuant to the underwriting agreement entered into between the Company and Kingston View International Limited ("Kingston View") on 29 October 2003, the remaining balance of 96,094,897 Rights Shares have been subscribed by Kingston View.

# DISCLOSURE OF INTERESTS UNDER PART XV OF THE SECURITIES AND FUTURES ORDINANCE

## A. DIRECTORS AND CHIEF EXECUTIVES

As at 31 March 2004, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) disclosed in accordance with the GEM Listing Rules were as follows:-

### I. DIRECTORS

1. Aggregate long position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the Company and its associated corporation(s)
  - (a) Interests in shares (other than pursuant to equity derivatives such as share options, warrants or convertible bonds)
    - (i) the Company

Name of director	Capacity	Number of ordinary shares interested	Notes	Percentage of issued share capital
Mr. Huang	Beneficial owner	161,083,400	1	10.06%
	Interest in corporation	266,800,000	1	16.67%
Mr. Yip Sam Lo	Founder of a discretionary trust	262,577,201	2	16.40%
Mr. Kwong Chak Chung	Interest in corporation	101,168,489	3	6.31%
Mr. Leung Yiu Chown, Desmond	Beneficial owner	47,251,809		2.95%

#### Notes:

1. Mr. Huang was deemed to be interested in 266,800,000 shares of the Company held by China Dynamic, a corporation wholly-owned by Mr. Huang. Apart from the above, Mr. Huang personally held 161,083,400 shares of the Company.

2. These shares were held by Araucarea Holdings Ltd. ("Araucarea"), a corporation wholly-owned by TUYF Company Limited as trustee of The TUYF Unit Trust, a unit trust of which all of the units in issue are owned by HSBC International Trustee Limited in its capacity as the trustee of The TUYF Family Trust, a discretionary family trust of which the objects include the family members of Mr. Yip Sam Lo.

Accordingly, Mr. Yip, as founder of The TUYF Family Trust was deemed to be interested in the shares of the Company held by Araucarea.

3. Mr. Kwong Chak Chung was deemed to be interested in 101,168,489 shares of the Company which were held through Kenn & K (BVI) Limited, a corporation wholly-owned by Mr Kwong.

(ii) Associated corporation - EPRO Systems Limited (an indirect wholly-owned subsidiary of the Company)

Name of director	Capacity	Number of non-voting deferred shares interested in associated corporation	Notes	Percentage of total issued non-voting deferred shares
Mr. Yip Sam Lo	Founder of a discretionary trust	5,112,991	1	33.86%
Mr. Kwong Chak Chung	Interest in corporation	3,063,191	2	20.28%
Mr. Leung Yiu Chown, Desmond	Beneficial owner	1,430,517		9.47%

*Notes:*

1. These shares were held by Araucarea, a corporation wholly-owned by TUYF Company Limited as trustee of The TUYF Unit Trust, a unit trust of which all of the units in issue are owned by HSBC International Trustee Limited in its capacity as the trustee of The TUYF Family Trust, a discretionary family trust of which the objects include the family members of Mr. Yip Sam Lo.

Accordingly, Mr. Yip, as founder of The TUYF Family Trust was deemed to be interested in the 5,112,991 non-voting deferred shares of EPRO Systems Limited held by Araucarea.

2. Mr. Kwong Chak Chung was deemed to be interested in 3,063,191 non-voting deferred shares of EPRO Systems Limited which were held through Kenn & K Investments Limited, a corporation wholly-owned by Mr. Kwong.

(b) Interests in debentures

The Company or its associated corporations had not issued any debentures.

(c) Interests in underlying shares (in respect of positions held pursuant to equity derivatives)

(i) the Company (physically settled equity derivatives)

Name of director	Capacity	Number of underlying ordinary shares interested	Percentage of issued share capital
Mr. Kwong Chak Chung	Beneficial owner	8,212,041	0.51%
Mr. Yip Sam Lo	Beneficial owner	13,699,083	0.85%
Mr. Leung Yiu Chown, Desmond	Beneficial owner	3,814,628	0.23%

The following information of share options granted to the Directors, pursuant to the share option schemes under Chapter 23 of the GEM Listing Rules is required to be disclosed pursuant to Rule 18.71(A)(1) of the GEM Listing Rules:-

(1) Pre-IPO share option plan

Name of grantee	Number of outstanding share options as at 1 July 2003	Date of grant <sup>†</sup>	Exercise period	Exercise price per share HK\$	Number of outstanding share options as at 31 March 2004
Mr. Kwong Chak Chung	8,212,041	26 July 2000	2 February 2001 to 23 July 2010	0.70	8,212,041
Mr. Yip Sam Lo	13,699,083	26 July 2000	2 February 2001 to 23 July 2010	0.70	13,699,083
Mr. Leung Yiu Chown, Desmond	3,814,628	26 July 2000	2 February 2001 to 23 July 2010	0.70	3,814,628
	<u>25,725,752</u>				<u>25,725,752</u>

## (2) Share option scheme

Name of grantee	Number of outstanding share options as at 1 July 2003	Date of grant*	Exercise period	Exercise price per share <i>HK\$</i>	Number of share options lapsed during the period	Number of outstanding share options as at 31 March 2004
Mr. Leung Yiu Chown, Desmond	1,000,000	22 November 2000	22 November 2000 to 21 November 2003	0.38	(1,000,000 )	—

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

### (ii) Associated Corporation

No such interest was reported by the Directors.

- Aggregate short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the Company and its associated corporation(s)

No such short position was reported by the Directors.

## II. CHIEF EXECUTIVES

- Aggregate long position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the Company and its associated corporation(s)

No such interest was reported by any chief executive of the Company.

- Aggregate short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the Company and its associated corporation(s)

No such short position was reported by any chief executive of the Company.

In addition to the above, some Directors are holding shares in the Hong Kong subsidiaries of the Company in a non-beneficial interest to meet the minimum shareholder requirement.

Saved as disclosed above, as at 31 March 2004, none of the Directors or the chief executives of the Company had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which are required to be 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 5.46 of the GEM Listing Rules.

## B. SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

1. Aggregate long position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares of the Company

(a) Interests in shares (other than pursuant to equity derivatives such as share options, warrants or convertible bonds)

Name	Capacity	Number of ordinary shares interested	Notes	Percentage of issued share capital
China Dynamic	Beneficial owner	266,800,000	1	16.67%
Ms. Yip Chi Yu	Interest of spouse	427,883,400	2	26.73%
Araucarea	Beneficial owner	262,577,201	3	16.40%
TUYF Company Limited	Trustee	262,577,201	4	16.40%
HSBC International Trustee Limited	Trustee	262,577,201	4	16.40%
Ms. Tai Fung	Founder of a discretionary trust	262,577,201	4	16.40%
Kenn & K (BVI) Limited	Beneficial owner	101,168,489	5	6.31%
Ms. Lau King Sau, Kenzie	Interest of spouse	101,168,489	6	6.31%
Kingston View	Beneficial owner	96,094,897	7	6.00%
Mr. Liu Lin	Interest in corporation	96,094,897	7	6.00%
Ms. Ma Li	Interest of Spouse	96,094,897	8	6.00%

*Notes:*

1. The interest of China Dynamic has also been disclosed as interests of Mr. Huang in the above paragraph under "Disclosure of interests under Part XV of the Securities and Futures Ordinance - Directors and Chief Executives".
2. Ms. Yip Chi Yu was deemed to be interested in the 427,883,400 shares of the Company through interests of her spouse, Mr. Huang.
3. The interest of Araucarea has also been disclosed as the interest of Mr. Yip Sam Lo in the above paragraph under "Disclosure of interests under Part XV of the Securities and Futures Ordinance — Directors and Chief Executives".
4. These shares were held by Araucarea, a corporation wholly-owned by TUYF Company Limited as trustee of The TUYF Unit Trust, a unit trust of which all of the units in issue are owned by HSBC International Trustee Limited in its capacity as the trustee of The TUYF Family Trust, a discretionary family trust of which the objects include the family members of Ms. Tai Fung.

Accordingly, Ms. Tai, as founder of The TUYF Family Trust was deemed to be interested in the shares of the Company held by Araucarea.

5. The interest of Kenn & K (BVI) Limited has also been disclosed as interests of Mr. Kwong Chak Chung in the above paragraph under "Disclosure of interests under Part XV of the Securities and Futures Ordinance - Directors and Chief Executives".
  6. Ms. Lau King Sau, Kenzie was deemed to be interested in the 101,168,489 shares of the Company through interests of her spouse, Mr. Kwong Chak Chung.
  7. Mr. Liu Lin was deemed to be interested in the 96,094,897 shares of the Company held by Kingston View, a corporation wholly-owned by Mr. Liu Lin.
  8. Ms. Ma Li was deemed to be interested in the 96,094,897 shares of the Company through interests of her spouse, Mr. Liu Lin.
- (b) Interests in underlying shares (in respect of positions held pursuant to equity derivatives)
- (i) the Company (physically settled equity derivatives)

Name of substantial shareholder	Capacity	Number of underlying ordinary shares interested	Notes	Percentage of issued share capital
Ms. Lau King Sau, Kenzie	Interest of spouse	8,212,041	1	0.51%
Ms. Tai Fung	Interest of spouse	13,699,083	2	0.85%

1. Ms. Lau King Sau, Kenzie was deemed to be interested in the 8,212,041 share options of the Company through interests of her spouse, Mr. Kwong Chak Chung.
  2. Ms. Tai Fung was deemed to be interested in the 13,699,083 share options of the Company through interests of her spouse, Mr. Yip Sam Lo.
2. Aggregate short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares of the Company

No such interest was reported to the Company.

Saved as disclosed above, no person, other than the Directors whose interests are set out in the above paragraph under "Disclosure of interests under Part XV of the Securities and Futures Ordinance - Directors and Chief Executives", had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

## **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.

## **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 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 two independent non-executive directors, Mr. Li Ming Lun and Mr. Lu Wei.

The information contained in the Group's third quarterly report for the nine months ended 31 March 2004 has not been audited but has been reviewed by the Committee, who was of the opinion that such report complied with the applicable requirements and that adequate disclosures had been made.

By order of the Board  
**HUANG Shaokang**  
*Director*

Hong Kong, 13 May 2004