

ePRO

EPRO LIMITED

易寶有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8086)

THIRD QUARTERLY REPORT

FOR THE NINE MONTHS ENDED 31 MARCH 2005

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.

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

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

HIGHLIGHTS

- For the nine months ended 31 March 2005, the Group's turnover decreased by 32% to approximately HK\$42,858,000.
- The Group recorded a net loss from ordinary activities attributable to shareholders of approximately HK\$8,451,000.
- No payment of an interim dividend for the nine months ended 31 March 2005 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 2005 together with the comparative unaudited figures for the corresponding period in 2004 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	
		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TURNOVER	2	14,218	10,565	42,858	62,782
Other revenue		136	673	833	5,076
Cost of goods sold		(8,379)	(4,721)	(26,154)	(38,466)
Selling and distribution costs		(841)	(450)	(1,803)	(2,409)
Administrative and other operating expenses		(7,348)	(8,985)	(23,068)	(32,486)
(LOSS) FROM OPERATING ACTIVITIES		(2,214)	(2,918)	(7,334)	(5,503)
Finance costs		(207)	(239)	(726)	(778)
Share of (loss)/profits of associates		(50)	(414)	(301)	6
(LOSS) BEFORE TAX		(2,471)	(3,571)	(8,361)	(6,275)
Tax	3	(93)	(79)	(279)	(257)
(LOSS) BEFORE MINORITY INTERESTS		(2,564)	(3,650)	(8,640)	(6,532)
Minority interests		40	(242)	189	(170)
NET (LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(2,524)	(3,892)	(8,451)	(6,702)
Basic (loss) per share (HK cents)	4	(0.16)	(0.27)	(0.53)	(0.55)

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 2005 are consistent with those applied to the annual accounts of the Group for the year ended 30 June 2004.

2. TURNOVER

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

3. TAX

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

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

	For the three months ended 31 March		For the nine months ended 31 March	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group:				
Provision for the period				
— elsewhere	93	79	279	257
	<u>93</u>	<u>79</u>	<u>279</u>	<u>257</u>

The Group did not have any significant unprovided deferred tax liabilities for the nine months ended 31 March 2005. (2004: Nil)

4. LOSS PER SHARE

The calculation of basic loss per share for the three months and the nine months ended 31 March 2005 is based on the unaudited net loss from ordinary activities attributable to shareholders for the said periods of approximately HK\$2,524,000 and HK\$8,451,000 respectively and on the weighted average number of 1,600,800,000 shares in issue during the three months and the nine months ended 31 March 2005 respectively.

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.

No diluted loss per share has been presented for the three months and the nine months ended 31 March 2005 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 2004, as the Company did not have any dilutive potential ordinary shares.

5. RESERVES

Other than the net loss for the nine months ended 31 March 2005, there was no movement to or from reserves during the nine months ended 31 March 2005.

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

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 March 2005 (2004: Nil).

FINANCIAL REVIEW

For the nine months ended 31 March 2005, the Group recorded an unaudited consolidated turnover of approximately HK\$42,858,000, representing a 32% decrease as compared to the corresponding period in 2004. The unaudited net loss from ordinary activities attributable to shareholders amounted to approximately HK\$8,451,000, representing a 26% increase over the net loss of the corresponding period in 2004. The decrease in turnover of the Group was mainly due to the general weak demand in goods and services in IT markets.

BUSINESS REVIEW

In the third quarter of the fiscal year, the Group has continued to reinforce the strategy of focusing on IT outsourcing, systems integration and IT professional services markets. Following the improving market sentiment and a more favorable spending habit of the IT investors, the Group believes that the solid foundation we laid down will enable us to take up the reins for restoring growth in the coming years.

During the reporting period, the Group has launched several successful marketing events that included inviting key vendors to promote our data resilience and data storage management solutions as well as document management solutions. Capitalizing on the new business opportunities brought about by these events, we have seen sales activities in positive progress.

Our IT application development outsourcing services business has maintained stable in the period. The Group remained focused on the Japan market with several projects successfully completed. In February, the Group attended an outsourcing summit in the United States, which gave us valuable experience in exploring the US IT outsourcing market.

OUTLOOK

The Group will continue to maximize our core strength in systems integration and software development capability to offer products with greater value to our customers. We remain cautiously optimistic about the market despite the IT industry is still consolidating, and we will continue to position ourselves as a leading IT solutions provider to await the fully recovered market. The Group will at the same time expand our extensive business partners network to build and deliver synergetic solutions and technologies that will ultimately benefit our customers.

DEPLOYMENT OF HUMAN RESOURCES

As at 31 March 2005, the number of staff of the Group was 165 (as at 31 March 2004: 228). 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.

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 2005.

FINANCIAL ASSISTANCE AND GUARANTEES TO AN AFFILIATED COMPANY

As at 31 March 2005, the Group had contingent liabilities of approximately HK\$1.395 million in respect of corporate guarantees for finance leases granted to 2GoTrade Limited ("2GoTrade"), which were utilised by 2GoTrade to the amount of approximately HK\$14,000 representing approximately 11.3% of the net asset value (based on 30 June 2004 audited accounts) of the Group.

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

The balance sheet of 2GoTrade as at 31 March 2005 is set out below:

	Balance at 31 March 2005 HK\$'000	Group's attributable interest HK\$'000
Current assets	1,232	370
Current liabilities	<u>(22,921)</u>	<u>(6,876)</u>
Net liabilities	<u>(21,689)</u>	<u>(6,506)</u>

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

A. DIRECTORS AND CHIEF EXECUTIVES

As at 31 March 2005, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its 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 (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 to subscribe or convertible bonds)
 - (i) the Company

Name of director	Capacity	Number of ordinary shares interested	Notes	Percentage of issued share capital
Mr. Huang Shaokang	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. Liu Lin	Interest in corporation	96,094,897	(3)	6.00%

Notes:

- (1) Mr. Huang Shaokang was deemed to be interested in 266,800,000 shares of the Company which were held through China Dynamic Enterprises Limited (“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. Liu Lin was deemed to be interested in 96,094,897 shares of the Company which were held through Kingston View International Limited ("Kingston View"), a corporation wholly-owned by Mr. Liu.
- (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	Note	Percentage of total issued non-voting deferred shares
Mr. Yip Sam Lo	Founder of a discretionary trust	5,112,991	(1)	33.86%

Note:

- (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.

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. Yip Sam Lo	Beneficial owner	<u>19,863,670</u>	<u>1.24%</u>

The following information of share options granted to the Director, 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:

Pre-IPO share option plan

Name of grantee	Number of outstanding share options		Exercise period	Exercise price per share HK\$	Number of outstanding share options	
	as at 1 July 2004	Date of grant*			as at 31 March 2005	
Mr. Yip Sam Lo	19,863,670	26 July 2000	2 February 2001 to 23 July 2010	0.557	19,863,670	

* *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.

2. *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

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)*

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

2. *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, as at 31 March 2005, some Directors are holding shares in the Hong Kong subsidiaries of the Company in a non-beneficial interest to meet the then minimum shareholder requirements.

Save as disclosed above, as at 31 March 2005, none of the Directors or the chief executive 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 interest or short position 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 interest which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interest which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

B. SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company 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 to subscribe 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%
Kwong Chak Chung	Interest in corporation	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%
Ms. Ma Li	Interest of spouse	96,094,897	(8)	6.00%

Notes:

- (1) The interest of China Dynamic has also been disclosed as the interests of Mr. Huang Shaokang 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 Shaokang.
- (3) The interest of Araucarea has also been disclosed as the interests 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) 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.
 - (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) The interest of Kingston View has also been disclosed as the interests of Mr. Liu Lin in the above paragraph under "Disclosure of interests under Part XV of the Securities and Futures Ordinance - Directors and Chief Executives".
 - (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	Note	Percentage of issued share capital
Ms. Tai Fung	Interest of spouse	19,863,670#	(1)	1.24%

Note:

- (1) Ms. Tai Fung was deemed to be interested in 19,863,670 share options of the Company through interests of her spouse, Mr. Yip Sam Lo.

Details of the above share options as required to be disclosed by the GEM Listing Rules have been disclosed in the above paragraph under "Disclosure of interests under Part XV of the Securities and Futures Ordinance — Directors and Chief Executives".

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.

Save as disclosed above, as at 31 March 2005, 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”) 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 three independent non-executive Directors, Mr. Lu Wei, Ms. Chen Yen Yung and Ms. Shi Shu Su.

The information contained in the Group’s third quarterly report for the nine months ended 31 March 2005 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.

DIRECTORS

As at the date of this report, the executive Directors are Mr. Huang Shaokang, Mr. Xin Yi, Mr. Liu Lin, Mr. Zeng Weiren, the non-executive Director is Mr. Yip Sam Lo and the independent non-executive Directors are Mr. Lu Wei, Ms. Chen Yen Yung and Ms. Shi Shu Su.

On behalf of the Board
HUANG Shaokang
Chairman

Hong Kong, 12 May 2005