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# **ePRO**

## **EPRO LIMITED**

**易寶有限公司\***

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

### **Financial assistance and guarantees to certain affiliated companies and advance to an entity**

As at 30th June, 2002, the Group has (a) a gross amount of approximately HK\$3.42 million due from an associated company, namely 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\$0.98 million, aggregated to approximately HK\$4.82 million, represented approximately 26.2% of the Net Asset Value 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 30th June, 2002, the Group has an amount of approximately HK\$107,000 due from a jointly-controlled entity, namely, TRS and an amount of approximately HK\$27,000 due from an associated company, namely 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.

On the other hand, as at 30th June, 2002, the Group had a gross amount of approximately HK\$9.6 million due from an entity - Emproson, represented approximately 52% of the Net Asset Value. Full provision has been made in respect of the total amount of HK\$9.6 million as at 30th June, 2002.

In the opinion of the Stock Exchange, the Company has breached the requirements of Rules 17.15, 17.18, 17.22 and 17.24 of the GEM Listing Rules and the Stock Exchange has indicated that it reserves the right to take any action against the Company regarding the breaches.

Pursuant to Rules 17.15 and 17.18 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited (“GEM Listing Rules”), the board (“Board”) of directors (“Directors”) of ePRO Limited (the “Company”) announces that the Company and its subsidiaries (the “Group”) has extended the following financial assistance, guarantees to certain affiliated companies and advanced the following amount to an entity:

## FINANCIAL ASSISTANCE AND GUARANTEES TO CERTAIN AFFILIATED COMPANIES

Based on the information contained in the latest published audited financial statements of the Group as at 30th June, 2002, details of amount due from, guarantees given for the benefits of, the Company’s affiliated companies by the Group as at 30th June, 2002 are as follows:

Name of affiliated companies	Percentage of interests held by the Group	Amounts due from affiliated companies	Provision for amounts due from affiliated companies	Guarantees given for finance leases facilities granted to an affiliated company	Total (after provision)
		<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
2GoTrade.com Limited (“2GoTrade”)	47.49	3,423	(3,423)	1,395	1,395
Shanghai Harbor eLogistics Software Co. Ltd (“Shanghai Harbor”)	30	27	—	—	27
TRS Information Technology Company Limited (“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. The

shareholder of 2GoTrade other than the Group is an independent third party, not connected with any of the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the GEM Listing Rules). In addition, the amounts due from both TRS and Shanghai Harbor were unsecured, interest-free and have no fixed terms of repayment.

The aggregate gross amount due from the above companies, before provision of approximately HK\$3.42 million were approximately HK\$4.95 million, represented approximately 26.9% of the net tangible assets of the Group, amounted to approximately HK\$18.4 million (“Net Asset Value”) as at 30th June, 2002. Because of the surge increase in the provisions made for the year ended 30th June, 2002, the Net Asset Value as at 30th June, 2002 dropped significantly, causing the financial assistance extended by and guarantees given by the Group in aggregate to exceed 25% of the Net Asset Value. As at 30th June, 2002, provision has been made in respect of the full amount due from 2GoTrade aggregated to approximately HK\$ 3.42 million. Full provision has been made due to the continuing significant loss incurred by 2GoTrade and the uncertainty in future prospects of 2GoTrade. For the guarantees given for finance leases facilities granted to 2GoTrade, approximately HK\$0.98 million out of the guarantees of approximately HK\$1.40 million has been utilised. In addition, to the best knowledge of the Directors, 2GoTrade was in net liability position, and the Directors considered that the recoverability of the amounts was doubtful and as a result, no further action was taken to recover the amount apart from chasing up for repayment from time to time.

Despite the fact that full provision had been made in respect of the full amount due from 2GoTrade, which effectively brought the carrying value of the advance to zero in the Group’s financial statements, in the opinion of the Stock Exchange, a disclosure obligation has arisen pursuant to Rule 17.18 upon publication of the preliminary annual results for the year ended 30th June, 2002 on 23rd September, 2002.

The Directors also confirmed that the Company will not provide further financial assistance to 2GoTrade to support its daily operation. During the year ended 30th June, 2002, the carrying value of interest of the Group in 2GoTrade reached zero after netting off the Group’s share of loss in 2GoTrade against the investment of the Company, and consequently, the Group did not share the loss of 2GoTrade for the year ended 30th June, 2002. Based on the above and due to the net liability position of 2GoTrade, there will be no further provision in relation to 2GoTrade.

The disclosure under Rule 17.18 as stated above has continued to exist at the Company's annual report for the year ended 30th June, 2002 and the Company's quarterly report for the three months ended 30th September, 2002 and pursuant to Rule 17.24 of the GEM Listing Rules, the proforma combined balance sheet of the affiliated companies of the Company as at 30th June, 2002 and 30th September, 2002, which includes the assets and liabilities of 2GoTrade, Shanghai Harbor, TRS, Tongji ERPO Information Technology Company Limited, Connex Networks Limited, EPRO AS&T Limited and eTradeGo Limited are summarized as below:

	<b>Balance at 30th June, 2002</b>	<b>The Company's attributable interest</b>	<b>Balance at 30th September, 2002</b>	<b>The Company's attributable interest</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	8,228	3,180	7,802	2,946
Current assets	22,145	8,542	24,338	8,376
Current liabilities	<u>(9,577)</u>	<u>(4,435)</u>	<u>(12,869)</u>	<u>(4,998)</u>
Net current assets	<u>12,568</u>	<u>4,107</u>	<u>11,469</u>	<u>3,378</u>
Net assets	<u><u>20,796</u></u>	<u><u>7,287</u></u>	<u><u>19,271</u></u>	<u><u>6,324</u></u>

Furthermore, as at 30th September, 2002, the financial assistance given to the affiliated companies of the Company remained the same as the amount as at 30th June, 2002 while utilisation of the guarantees given for finance leases facilities granted to 2GoTrade has reduced from approximately HK\$0.98 million as at 30th June, 2002 to approximately HK\$0.77 million as at 30th September, 2002.

### **Advances to an entity**

Based on the information contained in the latest published audited financial statements of the Group as at 30th June, 2002, the Group had a gross amount of approximately HK\$9.6 million due from an entity - Emproson Limited ("Emproson"), represented approximately 52% of the Net Asset Value. Because of the surge increase in the provisions made for the year ended 30th

June, 2002, the Net Asset Value as at 30th June, 2002 dropped significantly, causing the gross amount due from Emproson to exceed 25% of the Net Asset Value. Out of the total amount of HK\$9.6 million, approximately HK\$5.3 million was arisen from normal trade transactions including the provision of IT services and sale of computer equipment to Emproson from January 2002 and approximately HK\$4.3 million was arisen from fund advanced to Emproson for short term working capital purpose as the Group had co-operated with Emproson for a project of telecommunication software development in September 2001. The amount of HK\$4.3 million was unsecured, interest-free and have no fixed terms of repayment whereas an unsecured and interest-free credit term of 45 days was granted for the amount of HK\$5.3 million. Full provision has been made in respect of the total amount of HK\$9.6 million as at 30th June, 2002. Provision was made as the Directors doubted the recoverability of the advances based on, amongst other things, past payment history, knowledge of the financial position of Emproson and delay of the project.

Despite the fact that full provision had been made in respect of the gross amount due from Emproson, which effectively brought the net amount due from Emproson to zero in the Group's financial statements, in the opinion of the Stock Exchange, a disclosure obligation has arisen pursuant to Rule 17.15 upon publication of the preliminary annual results for the year ended 30th June, 2002 on 23rd September, 2002.

Emproson and its shareholders and directors are independent of and not connected with any of the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the GEM Listing Rules). Emproson is principally engaged in the provision of telecommunication IT services. In addition, the Group has from time to time, negotiated with Emproson for settlement of the advances including payments by installments. Currently, the negotiation is still ongoing and no further action apart from chasing up for repayment from time to time was taken to recover the amount.

As at the date of this announcement, no subsequent settlement of the advances has been received from Emproson. Pursuant to Rule 17.22, a disclosure obligation of details of the advances upon the publication of the annual report for the year ended 30th June, 2002 and the quarterly result for the three months ended 30th September, 2002 has arisen.

## General

The Company has breached the requirements of Rules 17.15, 17.18, 17.22 and 17.24 of the GEM Listing Rules. The Directors confirmed that as long as the disclosure obligation under Rules 17.15 and 17.18 continues to exist, the Company will ensure the full compliance of the Group to Rules 17.22 and 17.24. The Stock Exchange of Hong Kong Limited (“Stock Exchange”) has indicated that it reserves the right to take any action against the breaches.

By order of the Board  
**ePRO Limited**  
**Yip Sam Lo**  
*Managing Director*

Hong Kong, 24th December 2002

*\* For identification purpose only*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the date of its posting.*