

**WHAT WAS THE REASON THAT ePRO LTD WENT PUBLIC ?
IT NEEDED A SHOT OF MONEY IN A HURRY**

It must be considered a pleasant change for investors to find a software company, coming to The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, complete with a track record -- that is, still, in the black at the time of listing.

It is a rare bird, these days.

ePRO Ltd is that rare bird, the latest company in a long line of would-be, struggling Internet-related companies and software production company duds, or near duds, that have sucked up investors' funds and have yet to report a profit or pay one cent in dividends.

ePRO describes itself as being a company *'engaged in the development and implementation of e-commerce enabling software products and the provision of system integration and IT (Information Technology) related services to commercial enterprises and government entities in Asia. In addition, the Group distributes computer hardware and related peripherals.'* (Page One of the Prospectus)

This Company was quoted on The GEM for the first time, last Wednesday, and, on the first day of its showing, its share price sank a penny from the Placement Price of 70 cents per share.

There is good reason for the sell-off.

It is not a very sexy company and its staid mien is unlikely to endear it to investors.

In addition, it has a history of problems.

The Company drew a total of \$HK71 million from the market by Placing 120 million, 10-cent shares at a Premium of 60 cents per share.

The Net Proceeds are earmarked, according to the Company's Prospectus, as follows:

1. \$HK36 million for research and development;
2. \$HK21 million for the establishment of software centres;
3. \$HK8.40 million for marketing and promotional activities; and,
4. \$HK5 million to repay a loan to an independent third party.

ePRO's History

According to the Company's Prospectus, ePRO can trace its origins to about March 1985 when a Mr Vincent Ling Chiu Yam established EPRO Systems Ltd in what was then known, simply, as Hongkong.

This company was engaged, at that time, mainly, in the distribution of computer products.

About 3 years later, Mr Ling brought in other investors and, today, from these humble beginnings, ePRO employs 286 full time employees. (Page 77 of the Prospectus)

For the past 31 months, this Company has turned in what may be considered to be reasonable profit although it appears that the Company's Gross Profit Margins leave something to be desired.

The following is the Company's track record for the past 31 months:

	All Figures are Denominated in \$HK'000					
	1998 Financial Year ended June 30		1999 Financial Year ended June 30		Seven Months to January 31, 2000	
<u>Turnover by Activity:</u>		(%)		(%)		(%)
Value of Professional IT Contract Services Performed	192,311	80.10	218,346	83.50	42,434	77.10
Distribution of Computer Equipment	<u>47,908</u>	19.90	<u>43,019</u>	16.50	<u>42,206</u>	22.90
<u>TOTAL TURNOVER</u>	<u>240,219</u>		<u>261,365</u>		<u>186,640</u>	
Profit before Taxation	4,756		6,438		8,721	
Taxation	(1,043)		(1,175)		(1,106)	
Profit before Minority Interests	3,713		5,263		7,615	
Minority Interests	(789)		(1,059)		(1,182)	
Profit Attributable to Shareholders	2,924		4,204		6,433	
Dividends	187		750		Nil	

From the above table, it indicates that the Gross Margin of Profit ranged between a low of 1.98 percent in the 1998 Financial Year, climbing to 2.46 percent in the 1999 Financial Year, and rising to a record level of 4.72 percent for the 7 months to January 31, 2000.

The Net Profit Margin was 1.22 percent, 1.61 percent and 3.48 percent, respectively, for the 3 time periods, mentioned above.

One might be tempted to suggest that this was quite an unacceptable return.

The Company only operates in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the Macau Special Administrative Region (MSAR) of the PRC, the PRC, proper, and Singapore.

Over the past 31 months, Singapore has contributed about 5.3 ... [CLICK TO ORDER FULL ARTICLE](#)

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