



eFORCE HOLDINGS LIMITED

意科控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of eForce Holdings Limited (the “Company”) is please to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with the unaudited comparative figures for the corresponding period 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007— unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2007	2006
	Note	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	79,060	85,030
Cost of sales		(61,776)	(66,743)
Gross profit		17,284	18,287
Other income		2,820	955
Distribution costs		(2,483)	(3,665)
Administrative expenses		(19,997)	(21,242)
Other operating expenses		(710)	(2,105)
Loss from operations		(3,086)	(7,770)
Finance costs		(504)	(1,095)
Loss before taxation	4	(3,590)	(8,865)
Taxation	5	(91)	—
Loss attributable to shareholders		<u>(3,681)</u>	<u>(8,865)</u>
Loss per share	6		
Basic — HK Cents		<u>(0.16)</u>	<u>(0.45)</u>
Diluted — HK Cents		<u>N/A</u>	<u>N/A</u>

* For identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET*at 30 June 2007— unaudited**(Expressed in Hong Kong dollars)*

		At 30 June 2007 HK\$'000 (unaudited)	At 31 December 2006 HK\$'000 (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		<u>24,504</u>	<u>25,220</u>
		<u>24,504</u>	<u>25,220</u>
Current assets			
Inventories		14,459	12,407
Trade and other receivables	8	25,130	25,963
Pledged bank deposits		1,583	1,556
Cash and bank balances		<u>113,809</u>	<u>6,001</u>
		<u>154,981</u>	<u>45,927</u>
Current liabilities			
Trade and other payables	9	(70,641)	(75,446)
Borrowings		(4,455)	(5,443)
Unsecured other loans		(6,500)	(6,500)
Current tax liabilities		<u>(4,412)</u>	<u>(4,361)</u>
		<u>(86,008)</u>	<u>(91,750)</u>
Net current assets/(liabilities)		<u>68,973</u>	<u>(45,823)</u>
Total assets less current liabilities		93,477	(20,603)
Non-current liabilities			
Borrowings		<u>(4,826)</u>	<u>(5,463)</u>
NET ASSETS/(LIABILITIES)		<u>88,651</u>	<u>(26,066)</u>
Capital and reserves			
Share capital		132,891	114,891
Reserves	10	<u>(44,240)</u>	<u>(140,957)</u>
TOTAL EQUITY/(CAPITAL DEFICIENCY)		<u>88,651</u>	<u>(26,066)</u>

NOTES ON THE INTERIM FINANCIAL REPORT (UNAUDITED)

For the six months ended 30 June 2007

1. Basis of preparation

This interim financial report is unaudited, but has been reviewed by the Company's Audit Committee.

The unaudited interim report has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Principal accounting policies

The unaudited interim report has been prepared under the historical cost convention and modified by the revaluation of land and buildings, which are carried at their fair values. The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the Group financial statements for the year ended 31 December 2006.

3. Turnover and segment information

The principal activity of the Company is investment holding. During the period ended 30 June 2007, the Group is wholly engaged in the manufacture and sales of healthcare and household products.

Turnover represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax.

During the current interim period, segment information is presented in respect of the Group's business and geographical segments. Business segment information will continue to be chosen as the primary reporting format as this is more relevant to the Group's internal financial reporting.

(i) Business segments

The Group has been operating in a single business segment that is the manufacturing and sales of healthcare and household products.

(ii) **Geographical segments**

	Group turnover	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Geographical locations of customers		
North America	22,742	39,888
Europe	30,839	32,576
Asia	22,907	10,245
Others	2,572	2,321
	<u>79,060</u>	<u>85,030</u>

4. Loss from ordinary activities before taxation

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(a) Finance costs:		
Interest on borrowings	<u>504</u>	<u>1,095</u>
(b) Other items:		
Cost of inventories	46,762	52,926
Staff costs	18,165	16,942
Depreciation	2,145	2,167
Impairment of available-for-sale securities	—	2,105
Net profit on disposal of fixed assets	(148)	(438)
Interest income	<u>(77)</u>	<u>(37)</u>

5. Taxation

Provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries in which the subsidiaries operate.

No provision for Hong Kong profits tax has been made for the period, as the Group did not generate any assessable profits arising in Hong Kong.

No deferred tax assets in respect of the accumulated losses has been recognised as it is not probable that future profits will be available against which the asset can be utilized.

6. Loss per share

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$3,681,000 (2006: HK\$8,865,000) and the weighted average number of ordinary shares of 2,307,771,540 (2006: 1,937,826,789) in issue during the period.

b) Diluted loss per share

No diluted loss per share is presented as the inclusion of the effects of all potential dilutive ordinary shares would have an anti-dilutive effect on the basic loss per share for both the current and prior periods.

7. Dividends

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2007 (2006: HK\$Nil).

8. Trade and other receivables

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2007 HK\$'000 (unaudited)	At 31 December 2006 HK\$'000 (audited)
Current	16,355	13,413
1 to 3 months overdue	4,793	6,731
More than 3 months but less than 12 months overdue	5	922
More than 12 months overdue	170	172
Total trade debtors and bills receivables	21,323	21,238
Other debtors, deposits and prepayments	3,786	4,704
Amount due from associates	21	21
	<u>25,130</u>	<u>25,963</u>

Trade debts are due within 30 to 45 days from the date of billing.

Trade receivables of HK\$2,556,000 (31 December 2006: HK\$3,574,000) are assigned to a bank to secure banking facilities.

9. Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 June 2007 HK\$'000 (unaudited)	At 31 December 2006 HK\$'000 (audited)
Due within 1 month or on demand	10,349	12,217
Due after 1 month but within 3 months	9,252	5,837
Due after 3 month but within 6 months	3,523	1,285
Due after 6 months	272	1,565
Total trade creditors	23,396	20,904
Other creditors and accrued charges	45,544	47,242
Amount due to a substantial shareholder	1,729	40
Amount due to directors	23	7,260
	<u>70,692</u>	<u>75,446</u>

10. Reserves

	Share premium account HK\$'000	Foreign currency transaction reserves HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2006	1,392,241	(1,932)	24,226	(1,542,821)	(128,286)
Exchange differences on translating foreign operations	—	(113)	—	—	(113)
Loss for the period	—	—	—	(8,865)	(8,865)
Total recognized income and expenses for the period	—	(113)	—	(8,865)	(8,978)
At 30 June 2006	<u>1,392,241</u>	<u>(2,045)</u>	<u>24,226</u>	<u>(1,551,686)</u>	<u>(137,264)</u>
At 1 January 2007	1,392,241	(2,623)	24,226	(1,554,801)	(140,957)
Exchange differences on translating foreign operations	—	(402)	—	—	(402)
Loss for the period	—	—	—	(3,681)	(3,681)
Total recognized income and expenses for the period	—	(402)	—	(3,681)	(4,083)
Issue of shares on subscription	100,800	—	—	—	100,800
At 30 June 2007	<u>1,493,041</u>	<u>(3,025)</u>	<u>24,226</u>	<u>(1,558,482)</u>	<u>(44,240)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The turnover of the Group for the six months ended 30 June 2007 was approximately HK\$79 million (six months ended 30 June 2006: approximately HK\$85 million) and represented a decrease of 7% as compared to the corresponding period last year mainly due to severe competition and slow down in the North America market. Sales to North America decreased by 43% whereas sales to Asia including Mainland China increased by 123% due to new products sold to new customers.

Despite the continual increase in prices of key raw materials and labor cost in Mainland China, particularly in the Guangdong province, the gross margin was maintained at 22% (six months ended 30 June 2006: 22%) as a result of the launch of new products with higher profit margin and production cost rationalization during the period under review. Gross profit decreased by HK\$1 million to HK\$17 million as compared to the corresponding period last year as a result of lower turnover.

Net loss of the Group was reduced by HK\$5 million to HK\$3.7 million (six months ended 30 June 2006: HK\$8.9 million). Both distribution costs and administrative expenses dropped by approximately by HK\$1 million. No impairment loss recognized in the period under review as compared to an impairment loss of HK\$2 million recognized in the corresponding period last year upon the disposal of all the Company's interest in Megainfo Holdings Limited.

Outlook

The increasing pressures from the appreciating Renminbi ("RMB") will remain as the management's biggest challenge as well as the rising material and labor costs. The management will continue focus on research and development of new products to maintain our products' competitiveness in the global consumer products market.

In June 2007, the Company has issued a total of 360,000,000 ordinary shares of HK\$0.05 each to a subscriber at the subscription price of HK\$0.33 per subscription share. The net proceeds of HK\$118.6 million will provide sufficient financial resources for the Company to meet its commitments and working capital requirements for the current financial year ending 31 December 2007.

Liquidity and Financial Resources

At 30 June 2007, the Group recorded a net current assets of HK\$68,973,000 (a net current liabilities at 31 December 2006: HK\$45,823,000) and a current ratio of 1.8 (31 December 2006: 0.5). Cash and bank balances at 30 June 2007 were HK\$113,809,000 (31 December 2006: HK\$6,001,000).

At 30 June 2007, borrowings due within one year amounted to HK\$4,455,000 (31 December 2006: HK\$5,443,000). Borrowings from bank are secured over the Group's leasehold land and buildings held for own use situated outside Hong Kong with a carrying amount of approximately HK\$16 million (at 31 December 2006: HK\$16 million), a fixed deposit approximately HK\$1.6 million (at 31 December 2006: HK\$1.6 million), the Company's guarantee and certain trade receivables of a subsidiary.

Exposure to Fluctuations in Exchange Rates, Interest Rates and Related Hedges

The Group's borrowings and cash and cash equivalents were primarily denominated in Hong Kong dollars ("HKD"), RMB and US dollars ("USD"). The Group does not hedged against foreign exchange risk associated with the USD, as the management believes that the HKD will remain pegged to the USD in the foreseeable future. The management will monitor closely to ensure measures are taken against any adverse impact on the exchange risk associated with the appreciating RMB.

The interest rates profile of the Group's borrowings comprises a mixture of fixed and floating rates. The Group does not hedged against interest rates risk, as the managements do not foresee the impact of any fluctuation in interest rates to be material to the Group.

Employees and Remuneration Policies

At 30 June 2007, the Group employed approximately 27 staffs (31 December 2006: 29) in Hong Kong and approximately 1120 employees (31 December 2006: 1300) in Mainland China.

The managements review its remuneration policy regularly and reward staffs through fair remuneration packages and other fringe benefits, which includes a contributory provident fund and medical insurance plans. In addition, the Group may also grant discretionary bonus to eligible staff based on the Group's performance and individual merits.

The Company also granted share options to certain employees of the Group on 10 July 2000, entitling them to subscribe for shares of the Company. However, with effect from 1 September 2001, the Company no longer can grant any options under the existing scheme unless the Company changes the terms of the scheme to comply with the requirements of Chapter 17 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2007.

NON-COMPLIANCE WITH THE LISTING RULES 3.10(1) AND 3.21

Rules 3.10(1) and 3.21 of the Listing Rules require every listed company to appoint at least three independent non-executive directors (the “INED(s)”) and its audit committee must comprise at least three INEDs. Since the resignation of Mr. Chow Siu Ngor (“Mr. Chow”) and Mr. Ting Leung Hue Stephen (“Mr. Ting”) as INEDs and the appointment of Mr. Yeung King Wah (“Mr. Yeung”) as an INED on 3 July 2007, the Company has not complied with both Rules 3.10(1) and 3.21 of the Listing Rules. As at the date of this report the Company has only two INEDs, namely Mr. Lam Bing Kwan (“Mr. Lam”) and Mr. Yeung and the Company is still identifying suitable candidate to fill the vacancy.

CORPORATE GOVERNANCE

Save as disclosed above, the Company has complied with all requirements set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules, except for code provision A.4.1 of the Code which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. There is no service contract between the Company and Mr. Lam whom is not appointed for a specific term but is subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. His appointment will be reviewed when he is due for re-election and the Company is of the view that this meets the same objectives of the said code provision.

AUDIT COMMITTEE

In compliance with the Code, an Audit Committee was established on 28 December 1999 with written terms of reference. The Audit Committee of the Company has comprised only two INEDs namely Mr. Lam and Mr. Yeung since the resignation of Mr. Chow and Mr. Ting as INEDs on 3 July 2007 and is not complied with Rule 3.21 of the Listing Rules. However, the Company does fulfill the requirements under Rule 3.10(2) of the Listing Rules in which one of the Company’s INED, namely Mr. Yeung, has the professional qualifications as required. As at the date of this report the Company is still identifying suitable candidate to fill the vacancy.

The principal activities of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. The audit committee has reviewed the unaudited interim financial report for the six months ended 30 June 2007.

REMUNERATION COMMITTEE

In compliance with the Code, the Company has established its remuneration committee (“Remuneration Committee”) on 1 August 2006.

The Remuneration Committee comprises two Independent Non-executive Directors, namely, Mr. Lam Bing Kwan (Chairman of the Remuneration Committee) and Mr. Yeung King Wah and an Executive Director, Mr. Tam Lup Wai Franky. The Remuneration Committee has adopted terms of reference, which are in line with the Code on Corporate Governance Practices.

By order of the Board
Leung Chung Shan
Chairman and Executive Director

Hong Kong, 18 September 2007

As at the date of this interim financial report, the Board comprises Mr. Leung Chung Shan and Mr. Tam Lup Wai, Franky being Executive Directors and Mr. Lam Bing Kwan and Mr. Yeung King Wah being Independent Non-Executive Directors.