意科控股

eFORCE HOLDINGS LIMITED

意科控股有限公司

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30 June 2001 — unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2001 $'000	2000 $'000
Turnover	3	**87,258**	35,513
Cost of sales/services		**(69,787)**	(31,217)
		17,471	4,296
Other revenue		**9,861**	4,388
Other net income		**3,795**	—
Selling expenses		**(1,830)**	(1,930)
Administrative expenses		**(28,580)**	(22,631)
Other operating expenses		**(3,736)**	(21,912)
Loss from operations	3	**(3,019)**	(37,789)
Finance cost		**(5,991)**	(2,781)
Share of profits less losses of associates		**(2)**	147
Loss from ordinary activities before taxation	4	**(9,012)**	(40,423)
Taxation	5	**—**	—
Loss from ordinary activities after taxation		**(9,012)**	(40,423)
Minority interests		**(259)**	—
Loss attributable to shareholders		**(9,271)**	(40,423)
Loss per share	6		
Basic		**$(0.0082)**	$(0.8669)

The notes on pages 5 to 13 form part of this interim financial report.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the six months ended 30 June 2001 — Unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2001	2000
		$'000	*$'000*
Exchange differences on translation of the accounts of subsidiaries outside Hong Kong	*10*	**762**	83
Expenses incurred in connection with rights issue	*10*	**(91)**	—
Net gains not recognised in the profit and loss account		**671**	83
Net loss for the period		**(9,271)**	(40,423)
Total recognised losses		**(8,600)**	(40,340)
Goodwill on consolidation taken directly to reserves		**—**	(17,427)
		(8,600)	(57,767)

The notes on pages 5 to 13 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

at 30 June 2001 — Unaudited

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2001 $'000**	At 31 December 2000 $'000
Non-current assets			
Fixed assets		**107,580**	124,852
Interest in associates		**308**	(1,281)
Other non-current assets		**56,703**	45,102
		164,591	168,673
Current assets			
Inventories		**7,646**	20,460
Trade receivables	*7*	**34,783**	10,568
Other receivables, deposits and prepayments		**44,081**	37,493
Cash and cash equivalents	*8*	**104,426**	147,591
		190,936	216,112
Current liabilities			
Bank and other loans		**92,049**	38,510
Trade and other payables	*9*	**89,220**	82,019
Obligations under finance leases		**283**	897
Taxation		**5,315**	6,421
		186,867	127,847
Net current assets		**4,069**	88,265
Total assets less current liabilities		**168,660**	256,938
Non-current liabilities			
Interest-bearing borrowings		**(72,897)**	(152,922)
Minority interests		**(3,739)**	(3,392)
Net assets		**92,024**	100,624
Capital and reserves			
Share capital		**56,843**	56,843
Reserves	*10*	**35,181**	43,781
		92,024	100,624

The notes on pages 5 to 13 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2001 — Unaudited

(Expressed in Hong Kong dollars)

	$'000
Net cash outflow from operating activities	(23,209)
Net cash outflow from returns on investments and servicing of finance	(25)
Tax paid	(919)
Net cash outflow from investing activities	(13,056)
Net cash outflow before financing	(37,209)
Net cash inflow from financing	32,860
Decrease in cash and cash equivalents	(4,349)
Effect of foreign exchange rates	350
Cash and cash equivalents at 1 January 2001	8,784
Cash and cash equivalents at 30 June 2001	4,785

Analysis of the balances of cash and cash equivalents

Cash at bank and in hand	104,426
Pledged bank deposits	(99,641)
	4,785

The notes on pages 5 to 13 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). KPMG's independent review report to the Board of Directors is included on page 22.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKSA except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The financial information relating to the financial year ended 31 December 2000 included in the interim financial report does not constitute the statutory accounts of the Company and its subsidiaries ("the Group") for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2000 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 23 April 2001.

The same accounting policies adopted in the 2000 annual accounts, except as disclosed in note 2 below, have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2000 annual accounts.

2 Change in accounting policy

In prior years, goodwill arising on consolidation was eliminated directly against reserves in the year of acquisition. With effect from 1 January 2001, the Group adopted an accounting policy of recognising goodwill on the consolidated balance sheet and amortised on a straight-line basis to the consolidated profit and loss account over its estimated useful economic life in order to comply with Statement of Standard Accounting Practice 30 "Business combinations" ("SSAP 30") issued by the HKSA. The Group has taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 with the effect that the new accounting policy has been adopted prospectively and no adjustments have been made to the opening balance of retained profits and reserves and comparative information.

3 Segmental information

The analysis of the principal activities and geographical locations of customers of the Group during the period are as follows:

	Group turnover Six months ended 30 June		**Contributions to loss from operations Six months ended 30 June**	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Principal activities				
Manufacture and sale of healthcare and household products	**60,851**	32,213	**(4,794)**	(36,559)
Provision of internet related services	**26,407**	3,300	**8,072**	(132)
	87,258	35,513	**3,278**	(36,691)
Corporate overheads			**(6,297)**	(1,098)
			(3,019)	(37,789)

3 Segmental information *(continued)*

Geographical locations of customers

	Group turnover Six months ended 30 June **2001** ***$'000***	 2000 *$'000*
Europe	**8,513**	10,030
North America	**42,967**	17,252
Asia	**34,549**	3,609
Others	**1,229**	4,622
	87,258	35,513

4 Loss from ordinary activities before taxation

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

	Six months ended 30 June **2001** ***$'000***	 2000 *$'000*
Interest on borrowings	**5,991**	2,781
Depreciation	**10,253**	9,421
Net loss on disposal of fixed assets	**40**	852
Fixed assets and other assets written off	**3,621**	8,023
Provision for impairment in value of properties	**—**	7,273
Interest income	**(5,966)**	(2,095)

5 Taxation

No provision for Hong Kong and overseas Profits Tax has been made as the Group has no assessable profits arising in and outside Hong Kong during the period.

No deferred tax benefits have been recognised as their realization is not assured beyond reasonable doubt.

6 Loss per share

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to shareholders of $9,271,000 (2000: $40,423,000) and the weighted average number of ordinary shares of 1,136,851,600 (2000: 46,630,388) in issue during the period. The weighted average number of ordinary shares in issue for 2000 has been retrospectively adjusted for the effects of the share consolidation and the rights issue during 2000.

(b) Diluted loss per share

No diluted loss per share is presented as the inclusion of the Company's share options and convertible notes, which were in issue during the period, would have an anti-dilutive effect.

7 Trade receivables

The ageing analysis of trade receivables (net of specific provisions for bad and doubtful debts) is as follows:

	At 30 June 2001	At 31 December 2000
	$'000	*$'000*
Current	**12,072**	6,284
1 to 3 months overdue	**10,483**	908
More than 3 months overdue but less than 12 months overdue	**12,078**	3,376
More than 12 months overdue	**150**	—
	34,783	10,568

Trade debts are due up to 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

8 Cash and cash equivalents

	At 30 June 2001 $'000	At 31 December 2000 $'000
Deposits with banks and other financial institutions	**99,641**	141,307
Cash at bank and in hand	**4,785**	6,284
	104,426	147,591

Bank loans of $96.3 million (at 31 December 2000: $133.3 million) were secured by US dollar bank deposits of US$12.9 million (at 31 December 2000: US$18.1 million).

9 Trade and other payables

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

	At 30 June 2001 $'000	At 31 December 2000 $'000
Due within 1 month or on demand	**4,459**	15,502
Due after 1 month but within 3 months	**5,353**	1,807
Due after 3 months but within 6 months	**1,250**	2,232
Due after 6 months	**3,402**	7,164
	14,464	26,705
Other creditors and accrued charges	**42,277**	41,882
Other payables	**32,479**	13,432
	89,220	82,019

10 Reserves

	Share premium $'000	Exchange reserves $'000	Accumulated losses $'000	Total $'000
At 1 January 2001	1,251,594	(3,736)	(1,204,077)	43,781
Expenses incurred in connection with rights issue	(91)	—	—	(91)
Exchange differences on translation of the accounts of subsidiaries outside Hong Kong	—	762	—	762
Loss for the period	—	—	(9,271)	(9,271)
At 30 June 2001	1,251,503	(2,974)	(1,213,348)	35,181

11 Capital commitments

At 30 June 2001, the Group had the following capital commitments outstanding and not provided for in the accounts:

	At 30 June 2001 ***$'000***	At 31 December 2000 $'000
Contracted for	**3,155**	16,983

12 Material related party transactions

(a) A wholly-owned subsidiary of the Company, eForce Management Limited ("eForce Management") entered into a lease agreement with the ultimate holding company to lease an office space for a period of 7 months commencing 1 January 2001 to 31 July 2001 at a monthly rental of $142,800. The total rental payable to the ultimate holding company for the period ended 30 June 2001 amounted to $856,800 (2000: $437,000). The lease was entered into on normal commercial terms. The Company is aware that this constituted a connected transaction by virtue of Mr Leung Chung Shan's interest in the ultimate holding company but was exempted under Rule 14.24(5) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

During the period ended 30 June 2001, the ultimate holding company paid on behalf of eForce Management rates and management fees amounting to $218,200 (2000: $252,000). At 30 June 2001, the amount due to the ultimate holding company amounting to $4,992,000 (at 31 December 2000: $4,076,000) was unsecured, interest free and had no fixed terms of repayment.

(b) During the period ended 30 June 2001, the Company was granted financial assistance from the ultimate holding company amounting to approximately $24.4 million (2000: Nil). At 30 June 2001, the amount due to the ultimate holding company of $19,416,000 (at 31 December 2000: Nil) was unsecured, interest free and had no fixed terms of repayment.

(c) During the period ended 30 June 2001, consultancy and facility fee charged by Beijing Infohighway Information and Technology Limited ("BIHW") to a related party, China Infohighway Communications Co., Ltd ("IHW"), under the Cooperation Agreement and Supplemental Agreements (collectively "the Agreements") amounted to approximately $26.4 million (2000: Nil). The provision of services by BIHW to IHW under the Agreements constitutes ongoing connected transactions of the Company under the Listing Rules ("Ongoing Connected Transactions"). The Company has been granted a conditional waiver from strict compliance with the disclosure requirements as stipulated in Chapter 14 of the Listing Rules in connection with the Ongoing Connected Transactions on each occasion they arise.

At 30 June 2001, the amount due from IHW of $24,493,000 (at 31 December 2000: due to IHW of $952,000) was unsecured, interest free and had no fixed terms of repayment.

13 Litigation

(a) In October 1999, Mersongate Holdings Limited (the "Plaintiff") commenced an action against (1) Mr Huen Raico Hing Wah; (2) Central Growth Limited; (3) Bridal Path Corporation and (4) the Company (collectively the "Defendants"), alleging that the Defendants, including the Company, have agreed to certain arrangement in relation to the share capital of the Company, including certain rights of the Plaintiff to participate in the share capital of the Company, and that the Defendants have failed to perform their respective obligations under the arrangement, and claiming specific performance or, alternatively, damages. The Company has no knowledge of and is not a party to the alleged arrangement. The Company has filed a defence against the claim.

(b) On 23 February 2001, Winsmooth Holdings Limited instituted proceedings against Fairform Manufacturing Company Limited ("Fairform"), a wholly-owned subsidiary of the Company, claiming an amount of $252,450 being an amount which Winsmooth Holdings Limited alleges is due for goods sold and delivered by Winsmooth Holdings Limited to Fairform. Fairform has filed a defence against the claim.

(c) On 26 May 2000, Mr Wong Fu Keung ("Mr Wong"), a former director of the Company, instituted proceedings against Fairform, claiming repayment of a sum of $3,183,951 which Mr Wong paid out under a guarantee between him and Standard Chartered Bank for banking facilities granted to Fairform. A defence was filed by Fairform on 26 July 2000. In accordance with a Deed of Settlement dated 20 June 2001 entered into between Mr Wong and Fairform, the claim was settled and a gain of approximately $1.1 million was recorded.

(d) On 31 May 2000, Top Harvest Industrial Limited ("Top Harvest"), a wholly-owned subsidiary of the Company, instituted proceedings against Pentagon (EMI) Shielding Limited ("Pentagon") claiming an amount of $7,661,017 being the outstanding amount due to Top Harvest for goods sold and delivered by Top Harvest to Pentagon.

On 23 June 2000, Pentagon instituted proceedings against Fairform claiming an amount of $3,548,448 being an amount which Pentagon alleged was due for work done and services applied and for goods sold and delivered by Pentagon to Fairform.

In accordance with a Deed of Settlement dated 20 June 2001 entered into between Top Harvest, Fairform, Pentagon and certain companies of the Group ("the Group companies"), all the above claims, together with other balances due between the Group companies and Pentagon, were settled with insignificant loss incurred.

14 Subsequent events

(a) On 12 July 2001, the Company entered into a subscription agreement ("the agreement") with independent third parties to issue 3% convertible notes with an aggregate principal amount of US$20 million ("the notes") and warrants ("the warrants"). The notes are convertible to ordinary shares of $0.05 each of the Company ("ordinary shares") at any time during the three years after the issue of the notes, at the conversion price as stipulated in the agreement. At the maturity date, any outstanding notes shall be redeemed in full or the Company may elect to convert the notes into ordinary shares. The ordinary shares to be issued on any exercise of the conversion rights attaching to the notes will rank pari passu in all respects with the ordinary shares in issue.

The warrants, issued together with the notes, are convertible to the ordinary shares at any time during the three years after the issue of the warrants, at the exercise price as stipulated in the agreement. The ordinary shares to be issued upon conversion of the warrants shall rank pari passu in all respects with the ordinary shares in issue.

Up to the date of approving the interim financial report, US$10 million of the notes and 8,150,366 warrants were issued and approximately US$1.5 million of the notes, out of US$10 million, were converted into 5,258,065 ordinary shares. Assuming full conversion of the outstanding notes (approximately US$8.5 million) at a conversion price of $2.2968 (subject to adjustment as stipulated in the agreement), and the warrants, the Company would be required to issue a further 28,701,792 and 8,150,366 ordinary shares respectively.

(b) On 1 August 2001, the Group entered into a conditional agreement for the acquisition of the entire registered share capital of Zhuhai Tianxin Business Software Limited, a company registered in the PRC engaging in the development and sale of enterprise application software, for an aggregate consideration of $48 million which will be satisfied by the issue and allotment of 21.7 million ordinary shares of $0.05 each of the Company. Up to the date of approving the interim financial report, the acquisition is yet to be consummated.

15 Comparative figures

Comparative figures on the cost of sales/services and administrative expenses have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: HK$ Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2001, the Group achieved a consolidated turnover of HK$87,258,000 and a net loss of HK$9,271,000, representing an increase of 146% and a decrease of 77% respectively over the corresponding period last year. The decrease in net loss is mainly attributable to the positive contribution from the internet operation and the non-recurring or one-off expenses provided during the streamlining of the manufacturing business in the six months ended 30 June 2000.

During the period, the Group recorded a significant growth in the manufacturing operation as compared to the same period last year, mainly due to its ability to uphold customer confidence following the Group's successful financial restructuring. Turnover derived from manufacturing operations increased by 89% to HK$60,851,000. Loss from operations attributed to the manufacturing division improved by 87% to HK$4,794,000. This is mainly due to the management's focus on products with a reasonable margins and the fact that a substantial portion of the loss recorded in the corresponding period last year was an one-off expenses provided on non-performing assets.

Turnover derived from Internet operations amounted to HK$26,407,000, representing a seven-fold increase as compared to the same period last year. Results from operation in the Internet division recorded a profit of HK$8,072,000 as compared to a loss of HK$132,000 in the corresponding period last year. The improvement in both turnover and operating results is mainly due to the consultancy fees charged under the Cooperation Agreement entered between Beijing Infohighway Information and Technology Limited ("BIHW") and China Infohighway Communications Limited ("IHW") for advisory services rendered, in particular, on the iBuilding projects. This is the first set of consolidated accounts which included the results of BIHW since its acquisition in December 2000.

In view of the present market conditions, the Group has tightened controls on operating costs to increase its operational efficiency and maintain its competitiveness. The Group underwent a restructuring exercise in August 2001 to concentrate its resources on the more profitable operating units. More effort is also expected to be directed towards the growth of the Internet operating units.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2001, the Group had net current assets of HK$4,069,000 (31 December 2000: HK$88,265,000) and a current ratio of 1.02 (31 December 2000: 1.69) Cash and bank balances at 30 June 2001 were HK$104,426,000 (31 December 2000: HK$147,591,000). The gearing ratio, as a ratio of net borrowings (including convertible notes) to shareholders' equity was 66% (31 December 2000: 43%).

Borrowings at 30 June 2001 amounted to HK$164,946,000 (31 December 2000: HK$191,432,000), of which HK$92,049,000 (31 December 2000: HK$38,510,000) was due within one year and HK$72,897,000 (31 December 2000: HK$152,922,000) was due after one year but within two years. Secured borrowings amounting to HK$131,947,000 (31 December 2000: HK$178,944,000) were secured by the followings:

(i) The Group's entire shareholdings in Gold Fortress Holdings Ltd. and all assets held by Fairform Manufacturing Company Limited, both are wholly-owned subsidiaries of the Company.

(ii) Legal charge on certain leasehold land and buildings of the Group situated in the PRC with a carrying value of approximately HK$19 million (31 December 2000: HK$19 million).

(iii) Legal charge on the Group's US dollars fixed deposits with a PRC Bank amounted to approximately US$12.9 million (31 December 2000: US$18.1 million).

On 31 July 2001, the Group completed the issue of the Part 1, 3 percent Convertible Notes for an aggregate principal amount of US$10,000,000. The net amount received from this transaction amounted to HK$74,153,000 and accordingly, an improvement in the Group's current ratio was noted from 1.02 to 1.42.

Borrowings and cash and cash equivalents were mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The Group does not hedged against foreign exchange risk, as the management does not expect exchange rate fluctuations to have a significant impact on the Group.

EMPLOYEES AND REMUNERATION POLICIES

On 30 June 2001, the Group employed approximately 60 (31 December 2000: 64) staff in Hong Kong and had approximately 729 (31 December 2000: 1,021) employees in Mainland China.

The management reviews remuneration policies on a regular basis and rewards staff through fair remuneration packages and other fringe benefits, which include a contributory provident fund and medical insurance plans. In addition, the Group may also grant discretionary bonuses to eligible staff based on the Group's performance and individual merit.

The Company also grants share options to certain employees of the Group, entitling them to subscribe for shares of the Company.

Subsequent to the period ended 30 June 2001, certain employees of the Group exercised their right to subscribe for 4,050,000 shares of the Company under the share option scheme of which HK$2,381,400 was received in cash.

PROSPECTS

Looking to the future, the Group will continue to streamline its existing operations, while also exploring new business opportunities, particularly in iBuilding and software development projects. The Group is committed to becoming one of the leading high-technology service providers in the PRC.

iBuilding Business

In view of the tremendous demand for A-class commercial buildings, hotels and offices in the PRC, together with the synergies generated from BIHW's innovative know-how in network infrastructure, particularly in iBuilding projects, and IHW's widespread connections in the PRC, a significant increase is expected in the Group's iBuilding market share.

Further boost in confidence is the Group's co-operation with the operating companies of Beijing Telecom. Their well-established last mile network and experienced project execution teams play an instrumental role in the smooth implementation of the Group's iBuilding projects. The Group expects the number of contracts to increase significantly to cover up to 60 buildings by the end of 2001. Meanwhile, the Group will replicate this successful model in other affluent cities in the PRC including Shanghai, Guangzhou and Shenzhen in the latter part of 2001.

Software Development Business

In August 2001, the Group entered a conditional agreement to acquire the entire issued share capital of Zhuhai Tianxin Business Software Limited ("Zhuhai Tianxin" / "the company") at a consideration of HK$ 48 million to develop ERP (Enterprises Resources Planning) and CRM (Customer Relation Management) software. The Group believes that with Zhuhai Tianxin's state-of-the-art technologies as well as its breadth and depth of experience in the industry, it will generate great synergistic value and cross-selling opportunities for both the Group and Zhuhai Tianxin. Most importantly, the development of a new operating arm in its software business represents yet another significant move for the Group in addition to its achievements in iBuilding projects.

Zhuhai Tianxin was established in 1996. It is one of the leading PRC-based developers of software products. The company is mainly engaged in the development and sale of enterprise application software, including ERP, CRM and other enterprise software products such as FAS2000ERP system, which is the only ERP software package to receive the "Best Commercial Solutions" award endorsed by Microsoft.

Zhuhai Tianxin distributes its own developed software products through its well-established network in Beijing, Shanghai, Guangzhou, and other major cities. Since its full commercial launch in the latter part of 2000, the company has already captured a diversified client base of over 2,000 corporate customers in the Greater China Region.

OUTLOOK

Despite the weakening of the major economies in the world, the PRC's economy is expected to maintain strong growth prospects. The successful bid to host the Olympic games by Beijing and the impending entry to the WTO will provide new impetus and the driving force for economic development in the PRC. The Group will apply its strengths in the iBuilding business to hasten its development in the newly acquired software business. With the mission to develop these two distinct businesses, the Group is well-equipped to become a market leader in the software industry as well as one of the prominent high-technology service providers in the PRC. The Group strongly believes that it will yield a better performance in the year to come.

DIRECTORS' INTERESTS IN SHARES

The directors of the Company who held office at 30 June 2001 had the following interests in the issued share capital of the Company (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

Name of director	Nature of interest	Number of shares held
Leung Chung Shan	Corporate *(Note)*	616,000,000

Note:

616,000,000 shares were owned by Tees Corporation, a company incorporated in the British Virgin Islands and is wholly owned by Mr. Leung Chung Shan.

At 30 June 2001, the directors of the Company had the following personal interests in options to subscribe for shares of the Company (market value per share is HK$1.96 at 30 June 2001) granted at nominal consideration under a share option scheme of the Company. Each option gives the holder the right to subscribe for one share.

	No. of options outstanding at 30 June 2001	Date granted	Period during which options exercisable	No. of shares acquired on exercise of options during the period	Price per share to be paid on exercise of options	Market value per share at date of grant of options
Kong Siu Ming	8,000,000	10 July 2000	10 July 2001 to 9 July 2010	—	HK$0.588	HK$0.71
Li Shiu Tong, Andrew	5,000,000	10 July 2000	10 July 2001 to 9 July 2010	—	HK$0.588	HK$0.71

Apart from the foregoing, at no time during the period was the Company, any of its holding Company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Subsequent to the period ended 30 June 2001, one of the directors, exercise his rights under the share option scheme by subscribing for 250,000 ordinary shares of the Company.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain Directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued capital of the Company at 30 June 2001.

PURCHASE, SALE OR REDEMPTION SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the period.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice throughout the period except that independent non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, independent non-executive directors of the Company will retire by rotation, and their appointment will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code of Best Practice.

Independent review report to the board of directors of eForce Holdings Limited

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 13.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2001.

KPMG
Certified Public Accountants

Hong Kong, 21 September 2001