



意科控股

# eFORCE HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE : 943)

Interim Report 2012

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Note	Six months ended 30 June	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Turnover</b>		72,772	57,178
Cost of sales		(58,030)	(50,623)
<b>Gross profit</b>		14,742	6,555
Other income	4	1,680	1,027
Distribution costs		(1,564)	(1,310)
Administrative expenses		(30,071)	(25,731)
<b>Loss from operations</b>		(15,213)	(19,459)
Finance costs	5	(13,806)	(885)
<b>Loss before tax</b>		(29,019)	(20,344)
Income tax expense	6	(148)	(109)
<b>Loss for the period attributable to owners of the Company</b>	7	(29,167)	(20,453)
<b>Other comprehensive income after tax:</b>			
Exchange differences on translating foreign operations		(260)	(583)
<b>Other comprehensive income for the period, net of tax</b>		(260)	(583)
<b>Total comprehensive income for the period attributable to owners of the Company</b>		(29,427)	(21,036)
		HK\$	HK\$
<b>Loss per share</b>	9		(restated)
Basic		(0.16)	(0.14)
Diluted		N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	<i>Note</i>	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
<b>Non-current assets</b>			
Exploration and evaluation assets	10	462,190	461,406
Property, plant and equipment	11	52,299	55,233
Investments in associates		–	–
Investment in a jointly controlled entity		(40)	(40)
Other non-current assets		–	–
		<b>514,449</b>	<b>516,599</b>
<b>Current assets</b>			
Inventories		14,644	19,829
Trade and other receivables	12	28,586	27,820
Call option assets of convertible bonds	15	34,959	37,765
Pledged bank deposits		3,000	3,000
Bank and cash balances		72,251	86,529
		<b>153,440</b>	<b>174,943</b>
<b>Current liabilities</b>			
Trade and other payables	13	(58,973)	(64,248)
Derivative component of convertible bonds	15	(7,566)	(11,081)
Liability component of convertible bonds	15	(14,500)	(7,000)
Borrowings		(19,130)	(17,407)
Unsecured other loans	14	(6,500)	(6,500)
Current tax liabilities		(4,442)	(4,442)
		<b>(111,111)</b>	<b>(110,678)</b>
<b>Net current assets</b>		<b>42,329</b>	<b>64,265</b>
<b>Total assets less current liabilities</b>		<b>556,778</b>	<b>580,864</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		(5,558)	(5,558)
Liability component of convertible bonds	15	(417,019)	(411,678)
		<b>(422,577)</b>	<b>(417,236)</b>
<b>NET ASSETS</b>		<b>134,201</b>	<b>163,628</b>
<b>Capital and reserves</b>			
Share capital	16	183	183
Reserves		134,018	163,445
<b>TOTAL EQUITY</b>		<b>134,201</b>	<b>163,628</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital	Share premium account	Contributed surplus	Foreign currency translation reserve	Warrant reserve	Property revaluation reserve	Convertible bonds equity reserves	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2011	174,746	1,541,721	-	(4,083)	24,226	8,628	-	(1,622,667)	122,571
Total comprehensive income for the period	-	-	-	(583)	-	-	-	(20,453)	(21,036)
Issue of shares on subscription and placement	53,850	15,238	-	-	-	-	-	-	69,088
Changes in equity for the period	53,850	15,238	-	(583)	-	-	-	(20,453)	48,052
At 30 June 2011	<u>228,596</u>	<u>1,556,959</u>	<u>-</u>	<u>(4,666)</u>	<u>24,226</u>	<u>8,628</u>	<u>-</u>	<u>(1,643,120)</u>	<u>170,623</u>
At 1 January 2012	183	1,556,959	228,413	(2,156)	24,226	16,320	17,665	(1,677,982)	163,628
Total comprehensive income for the period	-	-	-	(260)	-	-	-	(29,167)	(29,427)
Changes in equity for the period	-	-	-	(260)	-	-	-	(29,167)	(29,427)
At 30 June 2012	<u>183</u>	<u>1,556,959</u>	<u>228,413</u>	<u>(2,416)</u>	<u>24,226</u>	<u>16,320</u>	<u>17,665</u>	<u>(1,707,149)</u>	<u>134,201</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2012*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(13,010)</b>	(15,486)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,458)</b>	(3,927)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>1,045</b>	63,365
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,423)</b>	43,952
Effect of foreign exchange rate changes	145	(304)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>86,529</b>	114,439
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>72,251</b>	158,087
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	72,251	158,087

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

## 1. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011. Except as otherwise described below in note 2, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements and segment information are consistent with those used in the annual financial statements and segment information for the year ended 31 December 2011.

These condensed consolidated financial statements have not been audited.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 3. SEGMENT INFORMATION

The Group is engaged in the manufacture and sales of healthcare and household products and coal mining business. Accordingly, there are two reportable segments of the Group. For the period ended 30 June 2012, no contribution was made by coal mining business segment.

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those used in the annual financial statements and segment information for the year ended 31 December 2011.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 3. SEGMENT INFORMATION (Continued)

**Information about reportable segment profit or loss, assets and liabilities:**

	Coal mining business <i>HK\$'000</i>	Health care and household product <i>HK\$'000</i>	Total <i>HK\$'000</i>
Period ended 30 June 2012			
Turnover	–	72,772	72,772
Segment loss	15,316	747	16,063
Interest income	–	6	6
Finance costs	12,842	809	13,651
Depreciation	16	3,385	3,401
Income tax expense	–	148	148
Additions to segment non-current assets	996	1,484	2,480
As at 30 June 2012			
Segment assets	497,428	95,737	593,165
Segment liabilities	510,855	76,636	587,491
Investments in associates	–	–	–
Investment in a jointly controlled entity	–	(40)	(40)
Period ended 30 June 2011			
Turnover	–	57,178	57,178
Segment loss	–	20,453	20,453
Interest income	–	129	129
Finance costs	–	885	885
Depreciation	–	3,990	3,990
Income tax expense	–	109	109
Additions to segment non-current assets	–	4,397	4,397
As at 31 December 2011			
Segment assets	499,171	104,360	603,531
Segment liabilities	497,283	84,512	581,795
Investments in associates	–	–	–
Investment in a jointly controlled entity	–	(40)	(40)



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 3. SEGMENT INFORMATION (Continued)

#### Reconciliations of reportable segment, profit or loss, assets and liabilities:

	Six months ended 30 June 2012 <i>HK\$'000</i>	Six months ended 30 June 2011 <i>HK\$'000</i>
<b>Profit or loss</b>		
Total loss of reportable segments	16,063	20,453
Other loss	13,104	–
Consolidated loss for the period	<u>29,167</u>	<u>20,453</u>
<b>Assets</b>		
Total assets of reportable segments	593,165	603,531
Other assets	75,142	88,429
Elimination of intersegment assets	(418)	(418)
Consolidated total assets	<u>667,889</u>	<u>691,542</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	587,491	581,795
Other liabilities	34,924	29,674
Elimination of intersegment liabilities	(88,727)	(83,555)
Consolidated total liabilities	<u>533,688</u>	<u>527,914</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 3. SEGMENT INFORMATION (Continued)

#### Geographical information

The Group's business is managed on a worldwide basis, but participates in nine principal economic environments.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue		Non-current assets	
	Six months ended 30 June 2012 <i>HK\$'000</i>	Six months ended 30 June 2011 <i>HK\$'000</i>	As at 30 June 2012 <i>HK\$'000</i>	As at 31 December 2011 <i>HK\$'000</i>
France	5,519	4,225	–	–
Germany	14,337	15,341	–	–
Indonesia	–	–	462,386	461,406
Italy	5,073	4,706	–	–
Japan	3,636	3,700	–	–
The People's Republic of China (the "PRC")	11,953	14,053	50,046	52,442
United Kingdom	7,020	1,915	–	–
United States of America	12,070	4,113	–	–
Hong Kong and others	13,164	9,125	2,017	2,751
Consolidated total	<u>72,772</u>	<u>57,178</u>	<u>514,449</u>	<u>516,599</u>

In presenting the geographical information, revenue is based on the locations of the customers.

### 4. OTHER INCOME

Other income for the six months ended 30 June 2012 includes fair value gain on call option assets and derivate component of convertible bonds of HK\$709,000 (Six months ended 30 June 2011: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 5. FINANCE COSTS

	Six months ended 30 June 2012 HK\$'000	Six months ended 30 June 2011 HK\$'000
Effective interest expenses on liability component of convertible bonds wholly repayable within five years	12,841	–
Interest on bank loans	688	608
Interest on other loans wholly repayable within five years	277	277
	<u>13,806</u>	<u>885</u>

### 6. INCOME TAX EXPENSE

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.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof. The amount provided for the six months ended 30 June 2012 represented the under-provision of tax in previous year.

### 7. LOSS FOR THE PERIOD

The Group's loss for the period is stated after (crediting)/charging the following:

	Six months ended 30 June 2012 HK\$'000	Six months ended 30 June 2011 HK\$'000
Interest income	(33)	(129)
Depreciation	4,095	3,990
Directors' remuneration	3,094	2,280
Loss/(gain) on disposal of property, plant and equipment	10	(288)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 8. DIVIDENDS

The directors have not declared nor proposed any interim dividends in respect of the period ended 30 June 2012 (Six months ended 30 June 2011: HK\$Nil).

### 9. LOSS PER SHARE

#### (a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$29,167,000 (Six months ended 30 June 2011: approximately HK\$20,453,000) and the weighted average number of ordinary shares of 182,877,071 (Six months ended 30 June 2011: 149,408,120(restated)) in issue during the period.

#### (b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 June 2011.

As the exercise of Group's outstanding convertible bonds for the period ended 30 June 2012 would be anti-dilutive, no diluted loss per share was presented for the period ended 30 June 2012.

### 10. EXPLORATION AND EVALUATION ASSETS

	<b>Exploration and exploitation rights</b> <i>(notes a and b)</i> <i>HK\$'000</i>	<b>Others</b> <i>(note c)</i> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Cost			
At 1 January 2011	–	–	–
Additions	444,127	17,279	461,406
At 31 December 2011 (audited) and at 1 January 2012	444,127	17,279	461,406
Additions	–	784	784
At 30 June 2012 (unaudited)	444,127	18,063	462,190

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 10. EXPLORATION AND EVALUATION ASSETS (Continued)

Notes:

- (a) During 2011, a wholly-owned subsidiary of the Company had entered into agreements to acquire the entire issued share capital of a company, Fastport Investment Holdings Limited ("Fastport") and its subsidiaries. Fastport, through its subsidiaries, has an indirect interest in exploration and exploitation rights in respect of a coal mine in Central Kalimantan, Indonesia. The consideration paid for the acquisition is HK\$500,000,000 and was satisfied by the Company issued two series of convertible bonds with face value of HK\$200,000,000 and HK\$300,000,000 respectively. The acquisition was completed on 13 July 2011. The acquisition was considered as an assets acquisition.
- (b) Exploration and exploitation rights are granted for the period from 28 December 2009 to 23 December 2019 and can be extended 2 times, respectively 10 years.
- (c) Others represent the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial liability of extracting those resources.

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property plant and equipment of approximately HK\$1,724,000 (six months ended 30 June 2011: HK\$4,397,000).

### 12. TRADE AND OTHER RECEIVABLES

Trade debts are normally due within from 30 to 60 days from the date of billing. The ageing analysis of trade debtors and bills receivables, based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
0 to 30 days	13,736	7,972
31 to 90 days	7,405	12,446
91 to 180 days	–	1,603
181 to 365 days	–	230
Over 365 days	440	304
	<b>21,581</b>	<b>22,555</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 13. TRADE AND OTHER PAYABLES

The ageing analysis of trade creditors and bills payables, based on the date of receipt of goods, is as follows:

	As at 30 June 2012 <i>HK\$'000</i>	As at 31 December 2011 <i>HK\$'000</i>
0 to 30 days	7,691	9,968
31 to 90 days	8,524	10,053
91 to 180 days	3,140	2,978
Over 180 days	2,029	1,937
	21,384	24,936

### 14. UNSECURED OTHER LOANS

On 1 February 2000, pursuant to a placing and underwriting agreement dated 16 December 1999 entered into between the Company and independent placing agents, 4% convertible notes with an aggregate principal amount of HK\$9 million were issued (the "Notes"). The Notes were convertible to ordinary shares of HK\$0.05 each of the Company at any time between 1 April 2000 and 27 January 2002 and Notes of HK\$2.5 million were subsequently converted during 2000.

Prior to maturity, holders of the remaining Notes of HK\$6.5 million had not exercised the conversion right, therefore, the directors of the Company consider that the conversion right attaching to the Notes had lapsed. The Notes should be regarded as unsecured other loans and the outstanding balances together with accrued interest of approximately HK\$9.6 million are due for repayment. As at the date of issuing these financial statements, the Notes holders have not yet requested the Company to repay the loans.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 15. CONVERTIBLE BONDS

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Liability component of convertible bonds		
Convertible bonds issued with equity component ( <i>note a</i> )	204,939	198,808
Convertible bonds issued with derivative component ( <i>note b</i> )	226,580	219,870
	<u>431,519</u>	<u>418,678</u>
The maturity of the liability component of the convertible bonds:		
Within one year	14,500	7,000
In the second to fifth years inclusive	417,019	411,678
	<u>431,519</u>	<u>418,678</u>
Derivative component of convertible bonds		
Convertible bonds issued with derivative component ( <i>note b</i> )	7,566	11,081
Call option assets of convertible bonds		
Convertible bonds issued with equity component ( <i>note a</i> )	14,006	14,756
Convertible bonds issued with derivative component ( <i>note b</i> )	20,953	23,009
	<u>34,959</u>	<u>37,765</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 15. CONVERTIBLE BONDS (Continued)

*Notes:*

(a) **Series A convertible bonds (the “SA”)**

On 13 July 2011, the Group issued the SA with a principal amount of HK\$200,000,000. The SA had a maturity period of three years from the issue date to 12 July 2014. During the period from 13 July 2011 to 12 July 2014, the SA entitles the holder to convert the bonds into new ordinary shares of the Company at an initial conversion price, subject to adjustment of HK\$0.074 per share. The conversion price was adjusted to HK\$1.85 per share due to share consolidation of every 25 shares of HK\$0.05 each in the share capital consolidated into 1 consolidated share of HK\$1.25 each on 9 November 2011.

Any SA not converted will be redeemed on 12 July 2014 at 100% of their principal amount. Interest of 5 per cent will be paid annually up until that settlement date.

The SA contains three components, a call option asset, a liability and an equity component. The equity component is presented in equity as part of the “convertible bonds equity reserve”. The effective interest rate of the liability component for the SA is 6.17% per annum. The call option assets is measured at fair value with changes in fair value recognised in the profit or loss.

The proceeds received from the issue of the SA have been split between the call option assets, liability and equity components.

During the six months ended 30 June 2012, there was neither conversion nor redemption of the SA. The movement of the liability component and the call option assets of the SA are as follows:

	As at <b>30 June 2012</b> <i>HK\$'000</i>	As at 31 December 2011 <i>HK\$'000</i>
Liability component at the beginning of the period/date of issue	<b>198,808</b>	193,246
Interest charged for the period	<b>6,131</b>	5,562
	<b>204,939</b>	198,808
Call option assets at the beginning of the period/date of issue	<b>14,756</b>	18,157
Fair value loss for the period	<b>(750)</b>	(3,401)
Call option assets at the end of the period	<b>14,006</b>	14,756



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 15. CONVERTIBLE BONDS (Continued)

#### (a) Series A convertible bonds (the "SA") (Continued)

The directors estimate the fair value of the liability component of the SA at 30 June 2012 to be approximately HK\$201,374,000 (31 December 2011: HK\$194,062,000). The fair value has been calculated by discounting the future cash flows at the market rate.

The call option assets component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Black-Scholes option pricing model. The key assumptions used are as follows:

	<b>30 June 2012</b>	31 December 2011	13 July 2011
Expected volatility	<b>12.026%</b>	10.739%	11.919%
Expected life	<b>2.036 years</b>	2.534 years	3.003 years
Risk free rate	<b>0.175%</b>	0.471%	0.603%

#### (b) Series B convertible bonds (the "SB")

On 13 July 2011, the Group issued the SB with a principal amount of HK\$300,000,000. The SB had a maturity period of four years from the issue date to 12 July 2015. During the period from 13 July 2011 to 12 July 2015, the SB entitles the holder to convert the bonds into new ordinary shares of the Company at the higher of the following:

- (i) the average closing price of the shares as quoted on the Stock Exchange for the last 5 trading days before the date of the conversion notice; and
- (ii) the initial conversion price, subject to adjustment, of HK\$0.05 per share. The conversion price was adjusted to HK\$1.25 per share due to share consolidation of every 25 shares of HK\$0.05 each in the share capital consolidated into 1 consolidated share of HK\$1.25 each on 9 November 2011.

Any SB not converted will be redeemed on 12 July 2015 at 100% of their principal amount. Interest of 2 per cent will be paid annually up until that settlement date.

The SB contains three components, a call option asset, a derivative and a liability. The effective interest rate of the liability component for the SB is 6.1% per annum. The call option assets and derivative components are measured at fair value with changes in fair value recognised in the profit or loss.

The proceeds received from the issue of the SB have been split between the call option assets, derivative and liability components.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 15. CONVERTIBLE BONDS (Continued)

#### (b) Series B convertible bonds (the "SB") (Continued)

During the six months ended 30 June 2012, there was neither conversion nor redemption of the SB. The movement of the liability component, the call option assets and the derivative component of the SB are as follows:

	<b>As at 30 June 2012 HK\$'000</b>	<b>As at 31 December 2011 HK\$'000</b>
Liability component at the beginning of the period/date of issue	<b>219,870</b>	256,519
Redemption of convertible bonds during the period	–	(42,862)
Interest charged for the period	<b>6,710</b>	6,213
	<hr/> <b>226,580</b> <hr/>	<hr/> 219,870 <hr/>
Call option assets at the beginning of the period/date of issue	<b>23,009</b>	37,321
Redemption of convertible bonds during the period	–	(5,629)
Fair value loss for the period	<b>(2,056)</b>	(8,683)
	<hr/> <b>20,953</b> <hr/>	<hr/> 23,009 <hr/>
Derivative component at the beginning of the period/date of issue	<b>11,081</b>	32,175
Redemption of convertible bonds during the period	–	(6,660)
Fair value gain for the period	<b>(3,515)</b>	(14,434)
	<hr/> <b>7,566</b> <hr/>	<hr/> 11,081 <hr/>

The directors estimate the fair value of the liability component of the SB at 30 June 2012 to be approximately HK\$219,767,000 (31 December 2011: HK\$211,874,000). The fair value has been calculated by discounting the future cash flows at the market rate.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 15. CONVERTIBLE BONDS (Continued)

#### (b) Series B convertible bonds (the "SB") (Continued)

The call option assets component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Black-Scholes option pricing model. The key assumptions used are as follows:

	<b>30 June 2012</b>	31 December 2011	27 July 2011	13 July 2011
Expected volatility	<b>11.596%</b>	10.803%	12.198%	13.424%
Expected life	<b>3.036 years</b>	3.534 years	3.964 years	4.003 years
Risk free rate	<b>0.238%</b>	0.665%	0.885%	0.946%

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Black-Scholes option pricing model. The key assumptions used are as follows:

	<b>30 June 2012</b>	31 December 2011	27 July 2011	13 July 2011
Weighted average share price	<b>HK\$0.245</b>	HK\$0.205	HK\$0.023	HK\$0.019
Weighted average exercise price	<b>HK\$1.25</b>	HK\$1.25	HK\$0.05	HK\$0.05
Expected volatility	<b>104.071%</b>	133.442%	119.544%	119.949%
Expected life	<b>3.036 years</b>	3.534 years	3.964 years	4.003 years
Risk free rate	<b>0.238%</b>	0.665%	0.885%	0.946%
Expected dividend yield	<b>0%</b>	0%	0%	0%

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 16. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount</b> <i>HK\$'000</i>
<hr/>		
Authorised:		
Ordinary shares of HK\$0.001 each		
At 1 January 2011	6,000,000,000	300,000
Increased in authorised ordinary share Subdivision	14,000,000,000	700,000
	980,000,000,000	–
At 31 December 2011, 1 January 2012 and 30 June 2012	1,000,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each		
At 1 January 2011	3,494,926,789	174,746
Issue of share by subscription	317,000,000	15,850
Issue of shares on placement	760,000,000	38,000
Share consolidation	(4,389,049,718)	–
Capital reduction	–	(228,413)
	182,877,071	183
At 31 December 2011, 1 January 2012 and 30 June 2012	182,877,071	183
<hr/>		

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 17. COMMITMENTS

At 30 June 2012, the Group has the following capital commitments outstanding and not provided for in the financial statements:

	As at 30 June 2012 <i>HK\$'000</i>	As at 31 December 2011 <i>HK\$'000</i>
Contracted but not provided for:		
Quality guarantee deposit	17,500	17,500
Interest-free loan to a jointly controlled entity	4,000	4,000
	<u>21,500</u>	<u>21,500</u>

### 18. RELATED PARTY TRANSACTIONS

Apart from those related party transactions and balances disclosed elsewhere in the financial statements, the Group had no other transactions with its related parties during the period.

### 19. APPROVAL OF FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 August 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **BUSINESS REVIEW**

Turnover of the Group for the six months ended 30 June 2012 amounted to HK\$73 million, which represented an increase of 28% as compared to HK\$57 million in the corresponding period 2011.

The consolidated loss of the Group for the six months ended 30 June 2012 amounted to HK\$29 million. This represented an increase of approximately HK\$9 million or 45% as compared to the loss of HK\$20 million in the corresponding period 2011.

### **Manufacturing business**

Turnover of the manufacturing business achieved a 28% increase to HK\$73 million for the six months ended 30 June 2012, compared to HK\$57 million in the corresponding period 2011. Much of this growth was mainly due to the launching of new products which leads to higher sales volume and average selling price.

Sales were up 267% in United Kingdom and 193% in United States of America mainly due to the launching of new products in these countries. Sales in France and Hong Kong and others were up 31% and 44% respectively mainly due to new customers in these countries.

In addition to the increase in sales volume and average selling price, stable raw material cost and higher worker efficiency have further improved the gross margin to 20% as compared to 11% in the corresponding period 2011. As such gross profit was increased by HK\$8 million to HK\$15 million (six months ended 30 June 2011: HK\$7 million).

Other costs were maintained at about the same level in the period under review as compared to the corresponding period 2011.

### **Coal mining business**

During the six months ended 30 June 2012, the Company's coal mining project at Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine") was still in exploration and evaluation phases and no turnover was recorded.

Negotiation with the villager resides in the coal mine area regarding the land lease and compensation has been conducted through a local mining consultant and it is in good progress. Planning regarding mine development, production and logistics has also been started during the period under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

Below is the highlight of the review of the coal resources estimate conducted by Roma Oil and Mining Associates Limited in February 2011 under the JORC Code:

	<b>Coal Resource Estimate</b> <i>(in thousand tonnes)</i> <b>as at 31 December 2011</b>
<b>JORC Category</b>	
Measured	8,705
Indicated	11,537
Inferred	6,097
	<hr/>
Total	26,339
	<hr/> <hr/>

An update of the coal resources estimate will be conducted at the end of this year or the beginning of next year and details will be disclosed in the Company's next annual report.

During the period under review, approximately HK\$0.8 million acquisition and exploration related expenditures were capitalized as costs of the mining rights.

As mentioned in the Company's annual report 2011, the Indonesian Government Regulation 24 ("GR 24") which provides that 51% of shares in an operating mining company must be owned by Indonesian shareholder(s) by the end of the 10th year from commencement of production and this to occur in stages from the 6th to the 10th year of commencement of production was came into effect on 21 February 2012. During the period under review and as at the date of this announcement, no further regulation has been released regarding it.

### Others

Finance costs were increased from HK\$1 million for the six months ended 30 June 2011 to HK\$14 million in the corresponding period 2012 due to the effective interest charges on liability component of the Convertible Bonds 2011 of HK\$13 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OUTLOOK

#### Manufacturing business

Despite the improvement in turnover in the first half of 2012, the management maintains a cautious outlook in the second half of 2012 amidst trend of economic recovery is still uncertain and continual pressure from customers to lower prices. Accordingly, continue effort will be put into improving worker efficiency and areas such as automation and production rationalization will be our main focus.

#### Coal mining business

According to the development plan as disclosed in the Company's circular dated 16 June 2011, the production of the mine will start in the first quarter of 2013 and therefore the coal mining business will not have any contribution to the Group's turnover and profit in 2012. Based on the current progress and without any unforeseen circumstances, the Company does not anticipate any major delay in the development of the mine.

### LIQUIDITY AND FINANCIAL RESOURCES

#### Cash position

As at 30 June 2012, the Group had cash and bank deposits of HK\$75 million (31 December 2011: HK\$90 million) which included a pledged bank deposits of HK\$3 million (31 December 2011: HK\$3 million) and a foreign currency deposits denominated in Renminbi ("RMB") amounted to HK\$3 million (31 December 2011: HK\$0.77 million) and Indonesia Rupiah ("IDR") amounted to HK\$0.08 (31 December 2011: Nil).

#### Current ratio

The Group had net current assets of HK\$42 million as at 30 June 2012 (31 December 2011: HK\$64 million). The current ratio being current assets over current liabilities as at 30 June 2012 was 1.4 (31 December 2011: 1.6).

#### Debts and borrowings

As at 30 June 2012, the Group had total debts and borrowings of HK\$457.1 million (31 December 2011: HK\$442.6 million) including unsecured loan from financial institute and secured bank loan and factoring loan of HK\$19.1 million (31 December 2011: HK\$17.4 million), unsecured other loans of HK\$6.5 million (31 December 2011: HK\$6.5 million) and convertible bonds of HK\$431.5 million (31 December 2011: HK\$418.7 million).

#### Gearing ratio

The Group's gearing ratio, which is measured by net debts (being total of bank loan and convertible bonds less total cash) divided by equity attributable to equity holder of the Company as at 30 June 2012 has increased to 285% from 216% as at 31 December 2011.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES, INTEREST RATES AND RELATED HEDGES**

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars (“HKD”), United States dollars (“USD”), RMB and IDR. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Group’s foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

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 management does not foresee the impact of any fluctuation in interest rates to be material to the Group.

### **EMPLOYEES AND REMUNERATION POLICY**

At 30 June 2012, the Group had 26 employees (31 December 2011: 26) in Hong Kong, 731 employees (31 December 2011: 646) in PRC and 12 employees (31 December 2011: 21) in Indonesia. Employees’ remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group’s business results and employees’ individual merit.

## **OTHER INFORMATION**

### **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Audit Committee has reviewed with management the unaudited interim financial statements for the six months ended 30 June 2012. The unaudited interim financial statements for the six months ended 30 June 2012 were approved and authorized for issue by the Board of Directors on 27 August 2012.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: HK\$Nil).

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2012, none of the directors nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### **SHARE OPTION SCHEME**

The Company has an option scheme which was approved in a shareholders' special general meeting on 3 March 2010 (the "Share Option Scheme 2010"). Under the Share Option Scheme 2010, the Company may offer to any persons who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Details of the Share Option Scheme 2010 were set out in the Company's circular on 11 February 2010. No share options were granted or exercised during the period under the Share Option Scheme 2010.

Save as disclosed above, none of the directors or chief executive of the Company or their spouses or children aged below 18 had any right to subscribe for equity or debt securities of the Company or had exercised any such right during the period under review.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the following persons had interests 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.

Long positions of substantial shareholders in the shares and underlying shares

Name of shareholder/ convertible bondholder	Capacity/ Nature of interests	Number of shares held	Principal Amount of convertible bonds of the Company issued	Number of underlying shares held	% of total issued shares
Early State Enterprises Limited ("Early State")	Beneficial owner	37,558,960	–	–	20.54%
Mr. Lee Fook Kheun ("Mr. Lee") (Note 1)	Interest in controlled corporation	37,558,960	–	–	20.54%
Gloss Rise Limited ("Gloss Rise")	Beneficial owner	–	HK\$450,000,000 (Note 2)	308,108,108 (Note 4)	168.47% (Note 4)
Low Thiam Herr ("Mr. Low") (Note 3)	Interest in controlled corporation	–	HK\$450,000,000 (Note 2)	308,108,108 (Note 4)	168.47% (Note 4)

*Note 1:* Early State is a company wholly-owned by Mr. Lee. As such, he was deemed to be interested in the shares held by Early State by virtue of the SFO.

*Note 2:* An aggregate principal amount of HK\$500 million of convertible bonds of the Company (HK\$200 million of Series A convertible bonds and HK\$300 million of Series B convertible bonds) was issued as consideration to Gloss Rise for the acquisition of the PT. Bara Mine by the Company on 13 July 2011.

As at 30 June 2012, an aggregate principal amount of HK\$450 million of the convertible bonds was still outstanding (HK\$200 million of Series A convertible bonds and HK\$250 million of Series B convertible bonds).

*Note 3:* Mr. Low is deemed, by virtue of the SFO, to be interested in the convertible bonds held by Gloss Rise as Mr. Low indirectly held 40% of the issued capital of Gloss Rise.

*Note 4:* For illustration purpose only and may never happen in light of the conversion restriction clauses imposed under the terms of the convertible bonds. Assume full conversion of all outstanding Series A convertible bonds at HK\$1.85 per share (i.e. 108,108,108 new shares may be issued) and Series B convertible bonds at HK\$1.25 per share (i.e. 200,000,000 new shares may be issued) based on the total number of 182,877,071 shares in issue as at 30 June 2012. The conversion price of the convertible bonds may change from time to time in accordance to the terms of the convertible bonds.

## OTHER INFORMATION

Save as disclosed above, as at 30 June 2012, the Company according to the records required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short positions in the shares or underlying shares of the Company.

### **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 2012.

### **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 2012.

### **CORPORATE GOVERNANCE**

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 the following:

Provision A.4.1 stipulates that independent non-executive directors ("INEDs") should be appointed for a specific term and subject to re-election. During the year under reviewed, all INEDs of the Company were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company except for Mr. Lam Ming On who was appointed for initial term of one year commenced on 1 December 2011. As Directors' appointment will be reviewed when they are due for re-election thus the Company is of the view that this meets the same objectives of the said code provision.

### **AUDIT COMMITTEE**

The Company's Audit Committee was established in December 1999. The Audit Committee comprises Mr. Lam Bing Kwan, Mr. Wong Man Chung, Francis and Mr. Lam Ming On being all the three INEDs and Mr. Wong Man Chung, Francis is the Chairman of the Audit Committee.

The Audit Committee has adopted terms of reference which are in line with the Code. The primary function of the Audit Committee is to review and monitor the Group's financial reporting process and internal controls. It is also responsible for making recommendation to the Board for the appointment, reappointment or removal of the external auditor.

The Audit Committee had reviewed with the management the unaudited interim financial statements for the six months ended 30 June 2012.

## OTHER INFORMATION

### REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in August 2005. It comprises all three INEDs Mr. Lam Bing Kwan, Mr. Wong Man Chung, Francis, Mr. Lam Ming On and two Executive Directors Mr. Tam Lup Wai, Franky and Mr. Liu Liyang. Mr. Lam Bing Kwan is the Chairman of the Remuneration Committee and the Remuneration Committee has adopted terms of reference which are in line with the Code.

By order of the Board  
**eForce Holdings Limited**  
**Liu Liyang**  
*Deputy Chairman and Chief Executive Officer*

Hong Kong, 27 August 2012

*As at the date of this report, the Board comprises Mr. Tam Lup Wai, Franky, Mr. Liu Liyang, Mr. Jiang Chunming, Madam Lu Mujuan, Mr. Luo Xiaohong, Mr. Siswo Awaliyanto and Mr. Wan Shouquan being Executive Directors and Mr. Lam Bing Kwan, Mr. Lam Ming On and Mr. Wong Man Chung, Francis being Independent non-Executive Directors.*