意科控股

eFORCE HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE : 943)

INTERIM REPORT 2013

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover		**76,452**	72,772
Cost of sales		**(58,517)**	(58,030)
Gross profit		**17,935**	14,742
Other income		**858**	1,680
Distribution costs		**(1,386)**	(1,564)
Administrative expenses		**(30,359)**	(30,071)
Loss from operations		**(12,952)**	(15,213)
Finance costs	*4*	**(14,092)**	(13,806)
Fair value loss on derivative components of convertible bonds		**(11,622)**	–
Loss before tax		**(38,666)**	(29,019)
Income tax expense	*5*	**(219)**	(148)
Loss for the period attributable to owners of the Company	*6*	**(38,885)**	(29,167)
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**575**	(260)
Other comprehensive income for the period, net of tax		**575**	(260)
Total comprehensive income for the period attributable to owners of the Company		**(38,310)**	(29,427)
		HK$	*HK$*
Loss per share	*8*		
Basic		**(0.21)**	(0.16)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	**30 June 2013 HK$'000 (unaudited)**	31 December 2012 HK$'000 (audited)
Non-current assets			
Exploration and evaluation assets	9	**280,031**	280,031
Property, plant and equipment	10	**54,826**	55,930
Investments in associates		**–**	–
Investment in a jointly controlled entity		**(40)**	(40)
Other non-current assets		**–**	–
		334,817	335,921
Current assets			
Inventories		**19,375**	17,314
Trade and other receivables	11	**28,890**	30,743
Derivative component of convertible bonds	14	**55,816**	67,438
Pledged bank deposits		**–**	1,500
Bank and cash balances		**32,117**	40,646
		136,198	157,641
Current liabilities			
Trade and other payables	12	**(68,583)**	(64,862)
Liability component of convertible bonds	14	**(14,500)**	(7,000)
Borrowings		**(15,437)**	(17,202)
Unsecured other loans	13	**(6,500)**	(6,500)
Current tax liabilities		**(4,452)**	(4,562)
		(109,472)	(100,126)
Net current assets		**26,726**	57,515
Total assets less current liabilities		**361,543**	393,436
Non-current liabilities			
Deferred tax liabilities		**(7,671)**	(6,921)
Liability component of convertible bonds	14	**(427,992)**	(422,325)
		(435,663)	(429,246)
NET LIABILITIES		**(74,120)**	(35,810)
Capital and reserves			
Share capital	15	**183**	183
Reserves		**(74,303)**	(35,993)
TOTAL EQUITY		**(74,120)**	(35,810)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital	Share premium account	Contributed surplus	Foreign currency translation reserve	Warrant reserve	Property revaluation reserve	Convertible bonds equity reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	183	1,556,959	228,413	(2,416)	24,226	16,320	17,665	(1,707,149)	134,201
At 1 January 2013	183	1,556,959	228,413	(2,915)	24,226	20,022	17,665	(1,880,363)	(35,810)
Total comprehensive income for the period	–	–	–	575	–	–	–	(38,885)	(38,310)
Changes in equity for the period	–	–	–	575	–	–	–	(38,885)	(38,310)
At 30 June 2013	183	1,556,959	228,413	(2,340)	24,226	20,022	17,665	(1,919,248)	(74,120)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(6,018)**	(13,010)
NET CASH USED IN INVESTING ACTIVITIES	**(1,667)**	(2,458)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(2,317)**	1,045
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,002)**	(14,423)
Effect of foreign exchange rate changes	**(27)**	145
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**42,146**	86,529
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**32,117**	72,251
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**32,117**	72,251

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION AND GOING CONCERN

These condensed consolidated financial statements for the six months ended 30 June 2013 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").

The Group incurred a loss for the six months ended 30 June 2013 attributable to owners of the Company of HK$38,885,000 (30 June 2012: HK$29,167,000) and was in a net liabilities position of HK$74,120,000 as at 30 June 2013 (31 December 2012: HK$35,810,000). The Directors based upon the Group's latest operational forecasts, have a reasonable expectation that the Group will have adequate or access to resources to obtain necessary fund at a level sufficient to finance the working capital requirements of the Group for the foreseeable future. Nevertheless, in order to have sufficient cash resources to satisfy the Group's medium to long term working capital and other financing requirement, the Group is considering the following:

a. To implement cost control measures on various administrative expenses;

b. To enlarge the capital base of the Company and provide additional funding to the Group; and

c. To refinance the outstanding convertible bonds issued by the Company.

In the opinion of the Directors, if these measures succeed, the Group will have sufficient cash resources to satisfy its medium to long term working capital and other financing requirement. Therefore, the Directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group fail to continue its business as a going concern, adjustments would have to be made to restate the value of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in these condensed consolidated financial statements.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012. 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 2012.

These condensed consolidated financial statements have not been audited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 2013. 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 2013, 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 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (Continued)

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

	Coal mining business *HK$'000*	Health care and household product *HK$'000*	Total *HK$'000*
Period ended 30 June 2013			
Turnover	**–**	**76,452**	**76,452**
Segment loss/(profit)	**29,358**	**(2,964)**	**26,394**
Interest income	**–**	**60**	**60**
Finance costs	**13,167**	**662**	**13,829**
Depreciation	**85**	**2,425**	**2,510**
Income tax expense	**–**	**219**	**219**
Additions to segment non-current assets	**37**	**1,777**	**1,814**
As at 30 June 2013			
Segment assets	**336,697**	**112,916**	**449,613**
Segment liabilities	**455,987**	**90,758**	**546,745**
Investments in associates	**–**	**–**	**–**
Investment in a jointly controlled entity	**–**	**(40)**	**(40)**
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 31 December 2012			
Segment assets	348,384	107,535	455,919
Segment liabilities	520,636	87,172	607,808
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 2013

3. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June 2013 HK$'000	Six months ended 30 June 2012 HK$'000
Profit or loss		
Total loss of reportable segments	**26,394**	16,063
Unallocated corporate results	**12,491**	13,104
Consolidated loss for the period	**38,885**	29,167

	As at 30 June 2013 HK$'000	As at 31 December 2012 HK$'000
Assets		
Total assets of reportable segments	**449,613**	455,919
Other assets	**21,403**	37,644
Elimination of intersegment assets	**(1)**	(1)
Consolidated total assets	**471,015**	493,562
Liabilities		
Total liabilities of reportable segments	**629,064**	607,808
Other liabilities	**28,145**	28,924
Elimination of intersegment liabilities	**(112,074)**	(107,360)
Consolidated total liabilities	**545,135**	529,372

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 2013	Six months ended 30 June 2012	**As at 30 June 2013**	As at 31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
France	**6,813**	5,519	**–**	–
Germany	**10,796**	14,337	**–**	–
Indonesia	**–**	–	**280,388**	280,435
Italy	**4,078**	5,073	**–**	–
Japan	**1,720**	3,636	**–**	–
The People's Republic of China (the "PRC")	**13,345**	11,953	**53,032**	53,681
United Kingdom	**3,313**	7,020	**–**	–
United States of America	**23,249**	12,070	**–**	–
Hong Kong and others	**13,138**	13,164	**1,397**	1,805
Consolidated total	**76,452**	72,772	**334,817**	335,921

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

4. FINANCE COSTS

	Six months ended 30 June 2013 *HK$'000*	Six months ended 30 June 2012 *HK$'000*
Effective interest expenses on liability component of convertible bonds wholly repayable within five years	**13,167**	12,841
Interest on bank loans	**768**	688
Interest on other loans wholly repayable within five years	**157**	277
	14,092	13,806

5. 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 2013 represented the under–provision of tax in previous year.

6. LOSS FOR THE PERIOD

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

	Six months ended 30 June 2013 *HK$'000*	Six months ended 30 June 2012 *HK$'000*
Interest income	**(60)**	(33)
Depreciation	**3,193**	4,095
Directors' remuneration	**3,093**	3,094
Loss on disposal of property, plant and equipment	**2**	10

7. DIVIDENDS

The directors have not declared nor proposed any interim dividends in respect of the period ended 30 June 2013 (Six months ended 30 June 2012: HK$Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

8. 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$38,885,000 (Six months ended 30 June 2012: approximately HK$29,167,000) and the weighted average number of ordinary shares of 182,877,071 (Six months ended 30 June 2012: 182,877,071) in issue during the period.

(b) Diluted loss per share

As the exercise of the Company's outstanding convertible bonds for the periods ended 30 June 2012 and 30 June 2013 would be anti-dilutive, no diluted loss per share was presented in both periods.

9. EXPLORATION AND EVALUATION ASSETS

	Exploration and exploitation rights *(notes a and b)* *HK$'000*	Others *(note c)* *HK$'000*	Total *HK$'000*
Cost			
At 31 December 2011 (audited)	444,127	17,279	461,406
Additions	–	625	625
At 31 December 2012 (audited) and at 30 June 2013 (unaudited)	444,127	17,904	462,031
Accumulated impairment			
At 31 December 2011 (audited)	–	–	–
Impairment loss	175,000	7,000	182,000
At 31 December 2012 (audited) and at 30 June 2013 (unaudited)	175,000	7,000	182,000
Carrying amount			
At 30 June 2013 (unaudited)	269,127	10,904	280,031
At 31 December 2012 (audited)	269,127	10,904	280,031

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

9. 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 Investments 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 for 2 times, for 10 years each.

(c) Others represent the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property plant and equipment of approximately HK$1,816,000 (six months ended 30 June 2012: HK$1,724,000).

11. 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 2013 *HK$'000*	As at 31 December 2012 *HK$'000*
0 to 30 days	**11,987**	9,054
31 to 90 days	**11,950**	14,913
91 to 180 days	**98**	1,368
181 to 365 days	**–**	–
Over 365 days	**208**	211
	24,243	25,546

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

12. 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 2013 *HK$'000*	As at 31 December 2012 *HK$'000*
0 to 30 days	**12,377**	8,486
31 to 90 days	**10,277**	8,742
91 to 180 days	**2,915**	3,084
Over 180 days	**2,234**	1,850
	27,803	22,162

13. 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 2013

14. CONVERTIBLE BONDS

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
Derivative component of convertible bonds – assets		
Series A convertible bonds *(note a)*	**(2)**	–
Series B convertible bonds *(note b)*	**(55,814)**	(67,438)
	(55,816)	(67,438)
Liability component of convertible bonds		
Series A convertible bonds *(note a)*	**207,168**	200,971
Series B convertible bonds *(note b)*	**235,324**	228,354
	442,492	429,325
The maturity of the liability component of the convertible bonds:		
Within one year	**14,500**	7,000
In the second to fifth years inclusive	**427,992**	422,325
	442,492	429,325

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

14. 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% will be paid annually up until that settlement date.

The SA contains derivatives, a liability and an equity components. 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 derivative components are measured at fair value with changes in fair value recognised in the profit or loss.

The movement of the derivative, liability and equity components of the SA is set out below:

	Derivative component assets *HK$'000*	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
At 31 December 2011	(14,756)	198,808	17,665	201,717
Fair value changes for the year	14,756	–	–	14,756
Interest charged	–	12,163	–	12,163
Interest paid	–	(10,000)	–	(10,000)
At 31 December 2012	–	200,971	17,665	218,636
Fair value changes for the period	(2)	–	–	(2)
Interest charged	–	6,197	–	6,197
Interest paid	–	–	–	–
At 30 June 2013	(2)	207,168	17,665	224,831

The directors estimate the fair value of the liability component of the SA at 30 June 2013 to be approximately HK$183,586,000 (31 December 2012: approximately HK$203,139,000). 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 2013

14. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(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 entities 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% will be paid annually up until that settlement date.

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

On 27 July 2011, the Group redeemed part of the SB with a principal amount of HK$50,000,000.

The movement of the derivative and liability components of the SB is set out below:

	Derivative component assets *HK$'000*	Derivative component liabilities *HK$'000*	Liability component *HK$'000*	Total *HK$'000*
At 31 December 2011	(23,009)	11,081	219,870	207,942
Fair value changes for the year	(44,429)	(11,081)	–	(55,510)
Interest charged	–	–	13,484	13,484
Interest paid	–	–	(5,000)	(5,000)
At 31 December 2012	(67,438)	–	228,354	160,916
Fair value changes for the period	11,624	–	-	11,624
Interest charged	–	–	6,970	6,970
Interest paid	–	–	–	–
At 30 June 2013	(55,814)	–	235,324	179,510

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

14. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

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

The directors estimate the fair value of the liability component of the SB at 30 June 2013 to be approximately HK$184,778,000 (31 December 2012: HK$232,588,000). The fair value has been calculated by discounting the future cash flows at the market rate.

The derivative components are measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Monte Carlo Simulation method. The key assumptions used are as follows:

	30 June 2013	31 December 2012
Stock price	HK$0.185	HK$0.231
Exercise price	HK$1.250	HK$1.250
Discount rate	20.118%	5.343%
Risk free rate	0.399%	0.114%
Expected bond period	2.033 years	2.567 years
Expected volatility	64.630%	208.926%
Expected dividend yield	0%	0%

15. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each		
At 31 December 2012, 1 January 2013 and 30 June 2013	1,000,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK$0.001 each		
At 31 December 2012, 1 January 2013 and 30 June 2013	182,877,071	183

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

16. COMMITMENTS

At 30 June 2013, the Group has the following capital commitments outstanding and not provided for in the financial statements:

	As at 30 June 2013 HK$'000	As at 31 December 2012 HK$'000
Contracted but not provided for:		
Quality guarantee deposit	**17,500**	17,500
Interest-free loan to a jointly controlled entity	**4,000**	4,000
	21,500	21,500

17. RELATED PARTY TRANSACTIONS

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

18. EVENTS AFTER THE REPORTING PERIOD

With reference to the announcement of the Company dated 12 July 2013 in relation to the extension for payment on interest accrued on the two convertible bonds issued by the Company in July 2011 in the respective principal amounts of HK$200 million and HK$300 million ("Bond A" and "Bond B" respectively, and together the "Convertible Bonds") in relation to the Company's acquisition of a coal mining project in the Republic of Indonesia.

Under the terms and conditions of each of the Convertible Bonds, the Company is required to pay to the holder (the "Bondholder") of the Convertible Bonds interest accrued on Bond A in the sum of HK$10 million ("Amount Due A") and Bond B in the sum of HK$5 million ("Amount Due B") on 13 July 2013.

In order to preserve the Group's cash reserves for general working capital purposes,the Company has requested the Bondholder, and the Bondholder has agreed, to extend the payment date for these amounts to 14 July 2014 in a letter agreement dated 12 July 2013. In return for this extension, the Company has agreed to pay interest at a rate of 6% per annum (on Amount Due A) and 3% per annum (on Amount Due B). These interest rates are agreed between the Company and the Bondholder by reference to the interest rates payable on the sum overdue under the existing terms and conditions of the Convertible Bonds.

19. APPROVAL OF FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Turnover of the Group for the six months ended 30 June 2013 amounted to HK$76 million, which represented an increase of 5% as compared to HK$73 million in the corresponding period 2012.

The consolidated loss of the Group for the six months ended 30 June 2013 amounted to HK$39 million. This represented an increase of approximately HK$10 million or 33% as compared to the loss of HK$29 million in the corresponding period 2012.

Manufacturing business

Turnover of the manufacturing business achieved a 5% increase to HK$76 million for the six months ended 30 June 2013, compared to HK$73 million in the corresponding period 2012. The increase was mainly due to a major customer launched new models of products to replace their old models in the United States of America which leaded to a higher sales volume.

In addition to the increase in sales volume, stable raw material cost and improved worker efficiency have increased the gross margin to 23% as compared to 20% in the corresponding period 2012. As such gross profit was increased by HK$3 million to HK$18 million (six months ended 30 June 2012: HK$15 million).

Other manufacturing related selling and administrative expenses were maintained at about the same level in the period under review as compared to the corresponding period 2012.

Despite the improvement in turnover in the first half of 2013, the management maintains a cautious outlook in the second half of 2013 as trend of economic recovery is still uncertain and continual pressure from customers to lower prices. Focus will be continued in areas of automation and production rationalization in order to further improve worker efficiency.

Coal mining business

During the six months ended 30 June 2013, 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.

As disclosed in the 2012 annual report and announcement on 12 July 2013 of the Company, it had found that negotiations of terms for the acquisition and/or relinquishment of surface rights of land necessary for the commencement of works in connection with the PT Bara Mine were more protracted than expected. Negotiations had been going on in the first half of 2013 but still could not be concluded. As coal prices kept falling, the Company considered that the compensation demanded by some landowners and villagers was not justified. To avoid further delay, the Company had made a general offer to all the landowners and villagers at a price based on recommendations of its consultant and its local management in Indonesia. Depending on the responses to the general offer, the Company may need to modify its existing plans for infrastructural work and production or to shift the location at which the initial access to the mine is to be located. Further announcements regarding the responses of the landowners and villagers to the general offer and the plan forward will be made as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

An updated review of the coal resources estimate as at 31 December 2012 was conducted by Roma Oil and Mining Associates Limited in February 2013 under the JORC Code which showed no material change for the PT Bara Mine since the last resource estimate was done and reviewed by them in June 2011 and February 2012 respectively. Set out below is the highlight of the review:

	Coal Resource Estimate *(in thousand tonnes)*			
JORC Category	**As at 31 December 2012**	**As at 31 December 2011**	**Change in %**	**Reason of change**
Measured	8,705	8,705	Nil	N/A
Indicated	11,537	11,537	Nil	N/A
Inferred	6,097	6,097	Nil	N/A
	26,339	26,339		

Another 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, no acquisition and exploration related expenditures were capitalized as costs of the mining rights.

Apart from the annual review on the resources estimate, a valuation of the fair value of the PT Bara Mine will also 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. Due to the continuing decline in the price of coal and the delay in the commencement of operations of the PT Bara Mine, a non-cash impairment loss of HK$182 million was already recognised for the year ended 31 December 2012.

Others

A fair value loss of HK$11.6 million on the derivative components of the outstanding convertible bonds issued by the Company was charged to profit and loss as compared to a fair value gain of HK$0.7 million in the corresponding period in 2012.

The derivative components of the convertible bonds were measured at its fair value at the date of issue and at the end of each reporting period. The fair values were estimated using Monte Carlo Simulation method and the fair value loss for the six month period ended 30 June 2013 was mainly due to the increase of discount rate used in the valuation to approximately 20% from approximately 5% used at 31 December 2012 after taking into account the latest financial information of the Group available to the public, i.e. the financial statement of the Company for the year ended 31 December 2012. Please refer to Note 14 of the Condensed Consolidated Financial Statements for details of other key assumptions used in the valuation.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 30 June 2013, the Group had cash and bank deposits of HK$32 million (31 December 2012: HK$42 million) and a foreign currency deposits denominated in Renminbi ("RMB") amounted to HK$8 million (31 December 2012: HK$4 million) and Indonesia Rupiah ("IDR") amounted to HK$0.4 million (31 December 2012: Nil).

Current ratio

The Group had net current assets of HK$26.7 million as at 30 June 2013 (31 December 2012: HK$57.5 million). The current ratio being current assets over current liabilities as at 30 June 2013 was 1.2 (31 December 2012: 1.6).

Debts and borrowings

As at 30 June 2013, the Group had total debts and borrowings of HK$464.4 million (31 December 2012: HK$453 million) including unsecured loan from financial institution and secured bank loan and factoring loan of HK$15.4 million (31 December 2012: HK$17.2 million), unsecured other loans of HK$6.5 million (31 December 2012: HK$6.5 million) and convertible bonds of HK$442.5 million (31 December 2012: HK$429.3 million).

Gearing ratio

The gearing ratio is measured by net debts (being total of bank loan and convertible bonds less total cash) divided by equity attributable to equity holders of the Company and is not applicable as the Group had a net deficiency in capital as at 30 June 2013 and 31 December 2012.

Going concern

The Group incurred a loss for the six months ended 30 June 2013 attributable to owners of the Company of HK$38,885,000 (30 June 2012: HK$29,167,000) and was in a net liabilities position of HK$74,120,000 as at 30 June 2013 (31 December 2012: HK$35,810,000). The Directors based upon the Group's latest operational forecasts, have a reasonable expectation that the Group will have adequate or access to resources to obtain necessary fund at a level sufficient to finance the working capital requirements of the Group for the foreseeable future. Nevertheless, in order to have sufficient cash resources to satisfy the Group's medium to long term working capital and other financing requirement, the Group is considering the following:

a. To implement cost control measures on various administrative expenses;

b. To enlarge the capital base of the Company and provide additional funding to the Group; and

c. To refinance the outstanding convertible bonds issued by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

In the opinion of the Directors, if these measures succeed, the Group will have sufficient cash resources to satisfy its medium to long term working capital and other financing requirement. Therefore, the Directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group fail to continue its business as a going concern, adjustments would have to be made to restate the value of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in these condensed consolidated financial statements.

The Group has been reviewing, and continues to review, appropriate measures that can be implemented to manage its operating costs. In this connection, the Group has already taken steps to reduce certain administrative expenses.

The Directors are mindful of the Group's medium to long term funding requirements, and have consulted different parties to explore different fund raising options as well as possible ways to restructure the existing debts of the Company. As at the date of this interim report, the Group has not reached any agreement with any party in respect of any such proposals. The Company will make further announcement in accordance with the Listing Rules as and when appropriate.

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 hedge 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 2013, the Group had 23 employees (31 December 2012: 25) in Hong Kong, 807 employees (31 December 2012: 727) in PRC and 17 employees (31 December 2012: 14) 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 2013. The unaudited interim financial statements for the six months ended 30 June 2013 were approved and authorized for issue by the Board of Directors on 28 August 2013.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: HK$Nil).

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

As at 30 June 2013, 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 2013, 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	Capacity/Nature of interests	Number of shares held	Number of underlying shares held	% of total issued shares
Early State Enterprises Limited	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") *(Note 2)*	Beneficial owner	–	308,108,108 *(Note 4)*	168.47% *(Note 4)*
Low Thiam Herr ("Mr. Low") *(Note 3)*	Interest in controlled corporation	–	308,108,108 *(Note 4)*	168.47% *(Note 4)*

Note 1: 37,558,960 shares were held by Early State Enterprises Limited which was wholly-owned by Mr. Lee and he was the sole director of Early State Enterprises Limited.

Note 2: HK$200,000,000 of Series A convertible bonds and HK$300,000,000 Series B convertible bonds were issued by the Company to Gloss Rise as consideration to acquire the PT. Bara Mine on 13 July 2011. Subsequently the Company redeemed HK50,000,000 of the Series B convertible bonds on 27 July 2011. As at 30 June 2013, HK$200,000,000 of Series A convertible bonds and HK$250,000,000 Series B convertible bonds were still outstanding.

Note 3: Mr. Low indirectly held 40% of the issued capital of Gloss Rise. By virtue of the SFO, Mr. Low had deemed interests in the convertible bonds of the Company held by Gloss Rise.

Note 4: 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 2013.

Save as disclosed above, as at 30 June 2013, 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.

OTHER INFORMATION

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 2013.

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 2013.

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 during the six months ended 30 June 2013, except for the following:

1. 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 period under review, 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. 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.

2. According to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the board of directors of the Company by 31 December 2012. As at 31 December 2012 and for the period from 31 January 2013 to 18 March 2013, the Board comprised of a total of seven executive Directors and three independent non-executive Directors which was not in compliance with Rule 3.10A of the Listing Rules. Following the resignation of Mr. Siswo Awaliyanto as an executive Director of the Company on 18 March 2013, the Company maintained a sufficient number of independent non-executive Directors to meet the requirement of Rule 3.10A of the Listing Rules.

OTHER INFORMATION

3. Following the resignation of Mr. Wong Man Chung, Francis as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company on 19 April 2013, the Company was not in compliance with the following Listing Rules:

   (a) Rule 3.10(1): the Board does not include at least three independent non-executive Directors;

   (b) Rule 3.10A: the Board does not appoint independent non-executive Directors representing at least one-third of the Board;

   (c) Rule 3.21: the Audit Committee does not comprise at least three members and there is no chairman of the Audit Committee who is an independent non-executive Director;

   (d) Rule 3.25: the Remuneration Committee does not comprise a majority of independent non-executive Directors; and

   (e) Code Provision A.5.1 of Appendix 14 of the Listing Rules: the Nomination Committee does not comprise a majority of independent non-executive Directors.

AUDIT COMMITTEE

The Company's Audit Committee was established in December 1999. As at the date of this interim report, the Audit Committee comprises Mr. Lam Bing Kwan and Mr. Li Hon Kuen being all the INEDs presently in the Board and Mr. Li Hon Kuen 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 2013.

OTHER INFORMATION

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in August 2005. As at the date of this interim report, it comprises Mr. Lam Bing Kwan and Mr. Li Hon Kuen being all the INEDs presently in the Board and Mr. Tam Lup Wai, Franky and Mr. Liu Liyang being two executive Directors. 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, 28 August 2013

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 and Mr. Wan Shouquan being executive Directors and Mr. Lam Bing Kwan and Mr. Li Hon Kuen being independent non-executive Directors.