



意科控股

**eFORCE HOLDINGS LIMITED**

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE : 943)

INTERIM REPORT 2014

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the six months ended 30 June 2014*

	Note	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Turnover</b>	4	<b>83,735</b>	76,452
Cost of sales		<b>(65,029)</b>	(58,517)
<b>Gross profit</b>		<b>18,706</b>	17,935
Other income		<b>10,877</b>	858
Distribution costs		<b>(1,566)</b>	(1,386)
Administrative expenses		<b>(29,171)</b>	(30,359)
<b>Loss from operations</b>		<b>(1,154)</b>	(12,952)
Finance costs	5	<b>(10,135)</b>	(14,092)
Fair value gain/(loss) on derivative components of convertible bonds		<b>44,789</b>	(11,622)
<b>Profit/(loss) before tax</b>		<b>33,500</b>	(38,666)
Income tax expense	6	<b>(328)</b>	(219)
<b>Profit/(loss) for the period attributable to owners of the Company</b>	7	<b>33,172</b>	(38,885)
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		<b>(1,185)</b>	575
<b>Other comprehensive income for the period, net of tax</b>		<b>(1,185)</b>	575
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>31,987</b>	(38,310)
		<b>HK\$</b>	<b>HK\$</b>
<b>Profit/(loss) per share</b>	9		
Basic		<b>0.12</b>	(0.21)
Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2014*

	<i>Note</i>	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
<b>Non-current assets</b>			
Exploration and evaluation assets	<i>10</i>	<b>251,031</b>	251,031
Property, plant and equipment	<i>11</i>	<b>60,804</b>	63,490
Investments in associates		–	–
Investment in a jointly controlled entity		<b>(40)</b>	(40)
Other non-current assets		–	–
		<b>311,795</b>	314,481
<b>Current assets</b>			
Inventories		<b>23,755</b>	28,192
Trade and other receivables	<i>12</i>	<b>37,192</b>	30,193
Call option assets of convertible bonds	<i>14</i>	–	45,759
Bank and cash balances		<b>9,455</b>	13,446
		<b>70,402</b>	117,590
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>(84,411)</b>	(73,786)
Liability component of convertible bonds	<i>14</i>	<b>(9,978)</b>	(220,954)
Borrowings		<b>(16,445)</b>	(17,284)
Unsecured other loans		–	(6,500)
Current tax liabilities		<b>(5,215)</b>	(5,225)
		<b>(116,049)</b>	(323,749)
<b>Net current liabilities</b>		<b>(45,647)</b>	(206,159)
<b>Total assets less current liabilities</b>		<b>266,148</b>	108,322

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2014*

	<i>Note</i>	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities		(9,109)	(9,334)
Liability component of convertible bonds	14	(240,576)	(235,031)
		<b>(249,685)</b>	(244,365)
<b>NET ASSETS/(LIABILITIES)</b>		<b>16,463</b>	(136,043)
<b>Capital and reserves</b>			
Share capital	15	328	183
Reserves		16,135	(136,226)
<b>TOTAL EQUITY</b>		<b>16,463</b>	(136,043)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2014*

	Share capital <i>HKS'000</i>	Share premium account <i>HKS'000</i>	Contributed surplus <i>HKS'000</i>	Foreign currency translation reserve <i>HKS'000</i>	Warrant reserve <i>HKS'000</i>	Property revaluation reserve <i>HKS'000</i>	Convertible bonds equity reserves <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Total <i>HKS'000</i>
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)
At 1 January 2014	183	1,556,959	228,413	(1,688)	24,226	26,714	17,665	(1,988,515)	(136,043)
Total comprehensive income for the period	-	-	-	(1,185)	-	-	-	33,172	31,987
Changes in equity for the period	145	138,039	-	(1,185)	-	-	(17,665)	33,172	152,506
At 30 June 2014	328	1,694,998	228,413	(2,873)	24,226	26,714	-	(1,955,343)	16,463

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2014*

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	(8,723)	(6,018)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(750)	(1,667)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<u>5,430</u>	<u>(2,317)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(4,043)	(10,002)
Effect of foreign exchange rate changes	52	(27)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>13,446</u>	<u>42,146</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>9,455</u></u>	<u><u>32,117</u></u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<u><u>9,455</u></u>	<u><u>32,117</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***1. BASIS OF PREPARATION AND GOING CONCERN**

These condensed consolidated financial statements for the six months ended 30 June 2014 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”).

Although the Group had net current liabilities of approximately HK\$45.6 million as at 30 June 2014, the Directors, based upon the Group’s latest operational forecasts and the rights issue to be completed in the beginning of September 2014, have a reasonable expectation that the Group will have adequate or access to resources to obtain necessary the fund at a level sufficient to finance the working capital requirements of the Group in foreseeable future. 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 2013. 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 2013.

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 2014. 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.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***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 six months ended 30 June 2014, 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 2013.

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

	<b>Coal mining business HK\$'000</b>	<b>Health care and household product HK\$'000</b>	<b>Total HK\$'000</b>
<b>Period ended 30 June 2014</b>			
Turnover	–	83,735	83,735
Segment loss/(profit)	(33,766)	(702)	(34,468)
Interest income	–	–	–
Finance costs	9,434	671	10,105
Depreciation	121	2,092	2,213
Income tax expense	–	328	328
Additions to segment non-current assets	–	778	778
As at 30 June 2014			
Segment assets	251,548	126,054	377,602
Segment liabilities	267,419	99,962	367,381
Investment in a jointly controlled entity	–	(40)	(40)
	<u>–</u>	<u>(40)</u>	<u>(40)</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***3. SEGMENT INFORMATION (Continued)**

	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 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 31 December 2013			
Segment assets	297,322	128,346	425,668
Segment liabilities	553,947	96,884	650,831
Investment in a jointly controlled entity	–	(40)	(40)

Reconciliations of reportable segment, profit/(loss), assets and liabilities:

	Six months ended <b>30 June 2014</b> <i>HK\$'000</i> <b>(unaudited)</b>	Six months ended 30 June 2013 <i>HK\$'000</i> <b>(unaudited)</b>
<b>Profit/(loss)</b>		
Total profit/(loss) of reportable segments	<b>34,468</b>	(26,394)
Unallocated corporate results	<b>(1,296)</b>	(12,491)
	<b>33,172</b>	<b>(38,885)</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***3. SEGMENT INFORMATION (Continued)**

	As at 30 June 2014 <i>HK\$'000</i> (unaudited)	As at 31 December 2013 <i>HK\$'000</i> (audited)
<b>Assets</b>		
Total assets of reportable segments	377,602	425,668
Unallocated corporate assets	4,595	6,403
Elimination of intersegment assets	—	—
Consolidated total assets	<u>382,197</u>	<u>432,071</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	367,381	650,831
Other liabilities	28,857	28,836
Elimination of intersegment liabilities	(30,504)	(111,553)
Consolidated total liabilities	<u>365,734</u>	<u>568,114</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***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 2014	Six months ended 30 June 2013	As at 30 June 2014	As at 31 December 2013
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
France	6,718	6,813		
Germany	9,369	10,796		
Indonesia	–	–	251,284	251,390
Italy	5,469	4,078		
Japan	3,417	1,720		
The People's Republic of China (the "PRC")	10,880	13,345	59,968	62,669
United Kingdom	4,340	3,313		
United States of America	33,599	23,249		
Hong Kong and others	9,943	13,138	543	422
Consolidated total	<u>83,735</u>	<u>76,452</u>	<u>311,795</u>	<u>314,481</u>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***4. TURNOVER**

The Group's turnover represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. The amount of revenue recognised in turnover during the period represents manufacture and sale of healthcare and household products.

**5. FINANCE COSTS**

	<b>Six months Ended 30 June 2014 HK\$'000</b>	Six months Ended 30 June 2013 HK\$'000
Effective interest expenses on liability component of convertible bonds wholly repayable within five years	<b>9,434</b>	13,167
Interest on bank loans	<b>671</b>	768
Interest on other loans wholly repayable within five years	<b>30</b>	157
	<b>10,135</b>	14,092

**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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***7. LOSS FOR THE PERIOD**

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

	<b>Six months ended 30 June 2014 HK\$'000</b>	Six months ended 30 June 2013 HK\$'000
Interest income	–	(60)
Written off of unsecured other loans and accrued interest	<b>(9,729)</b>	–
Depreciation	<b>2,785</b>	3,193
Directors' remuneration	<b>2,901</b>	3,093
	<b><u>          </u></b>	<b><u>          </u></b>

**8. INTERIM DIVIDEND**

The Board does not recommend any interim dividend for the six months ended 30 June 2014 (2013: HK\$Nil).

**9. LOSS PER SHARE****(a) Basic profit per share**

The calculation of basic profit per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$33,172,000 (Loss for the six months ended 30 June 2013: approximately HK\$38,885,000) and the weighted average number of ordinary shares of 271,902,508 (Six months ended 30 June 2013: 182,877,071) in issue during the period.

**(b) Diluted loss per share**

As the exercise of Group's outstanding convertible bonds for both periods ended 30 June 2014 and 30 June 2013 respectively would be anti-dilutive, no diluted profit/(loss) per share was presented for both periods.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***10. EXPLORATION AND EVALUATION ASSETS**

	<b>Exploration and exploitation rights</b> <i>(notes a)</i> <i>HK\$'000</i>	<b>Others</b> <i>(note d)</i> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>			
At 31 December 2012, at 1 January 2013 and at 31 December 2013	444,127	17,904	462,031
At 31 December 2013, at 1 January 2014 and at 30 June 2014	444,127	17,904	462,031
<b>Accumulated impairment</b>			
At 31 December 2012 and at 1 January 2013	175,000	7,000	182,000
Impairment loss	27,800	1,200	29,000
	202,800	8,200	211,000
At 31 December 2013, at 1 January 2014 and at 30 June 2014	202,800	8,200	211,000
<b>Carrying amount</b>			
At 30 June 2014	241,327	9,704	251,031
At 31 December 2013	241,327	9,704	251,031

*Notes:*

- (a) The exploration and exploitation rights in respect of a coal mine in Central Kalimantan, Indonesia are granted for the period from 28 December 2009 to 23 December 2019 and can be extended for 2 times, for 10 years each.
- (b) 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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***11. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2014, the Group acquired property plant and equipment of approximately HK\$778,000 (six months ended 30 June 2013: HK\$1,816,000)

**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 2014 <i>HK\$'000</i>	As at 31 December 2013 <i>HK\$'000</i>
0 to 30 days	11,011	6,875
31 to 90 days	20,332	16,677
91 to 180 days	–	2,142
181 to 365 days	–	–
Over 365 days	68	211
	<u>31,411</u>	<u>25,905</u>

**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 2014 <i>HK\$'000</i>	As at 31 December 2013 <i>HK\$'000</i>
0 to 30 days	8,102	6,520
31 to 90 days	11,757	11,783
91 to 180 days	774	2,589
Over 180 days	1,834	1,862
	<u>22,467</u>	<u>22,754</u>



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***14. CONVERTIBLE BONDS**

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Derivative components of convertible bonds		
Series A convertible bonds ( <i>note a</i> )	–	(636)
Series B convertible bonds ( <i>note b</i> )	–	(45,123)
	<u>–</u>	<u>(45,759)</u>
Liability component of convertible bonds		
Series A convertible bonds ( <i>note a</i> )	–	213,550
Series B convertible bonds ( <i>note b</i> )	<b>250,554</b>	242,435
	<u><b>250,554</b></u>	<u>455,985</u>
The maturity of the liability component of the convertible bonds:		
Within one year	<b>9,978</b>	220,954
In the second to fifth years inclusive	<b>240,576</b>	235,031
	<u><b>250,554</b></u>	<u>455,985</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2014

### 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.

During the six months ended 30 June 2014, the bond holders of SA had exercised the conversion right to convert the convertible bonds with principal amount of HK\$200,000,000 into 108,108,108 new ordinary shares of HK\$0.001 each in the Company with exercise price of HK\$1.85 per share, such new shares ranking pari passu in all respects with the existing shares of the Company. A fair value gain of HK\$90.7 million was recognized on the derivative components of the Series A convertible bonds upon conversion.

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

	Derivative components <i>HK\$'000</i>	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	–	200,971	17,665	218,636
Fair value changes for the year	(636)	–	–	(636)
Interest charged	–	12,579	–	12,579
At 31 December 2013 and 1 January 2014	(636)	213,550	17,665	230,579
Fair value changes for the year	(90,712)	–	–	(90,712)
Interest charged	–	2,115	–	2,115
Conversion	91,348	(205,289)	(17,665)	(131,606)
Unpaid interest reallocated to accruals	–	(10,376)	–	(10,376)
	–	–	–	–

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***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 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% will be paid annually up until that settlement date.

The SB contains derivatives and a liability components. The effective interest rate of the liability components 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 SB is set out below:

	Derivative components assets <i>HK\$'000</i>	Liability component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	(67,438)	228,354	160,916
Fair value changes for the year	22,315	–	22,315
Interest charged	–	14,081	14,081
At 31 December 2013 and 1 January 2014	(45,123)	242,435	197,312
Fair value changes for the year	45,123	800	45,923
Interest charged	–	7,319	7,319
At 30 June 2014	–	250,554	250,554

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***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 2014 to be approximately HK\$228,205,000 (31 December 2013: approximately HK\$193,798,000). The fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

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

	<b>30 June 2014</b>	31 December 2013
Stock price	<b>HK\$0.182</b>	HK\$0.39
Conversion price	<b>HK\$1.25</b>	HK\$1.25
Risk-free rate	<b>0.1550%</b>	0.5301%
Effective interest rate	<b>13.7505%</b>	21.5226%
Time to maturity	<b>1.0329 years</b>	1.53 years
Volatility	<b>136.9991%</b>	85.693%
Dividend yield	<b>0%</b>	0%

**15. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.001 each		
At 31 December 2013, 1 January 2014 and 30 June 2014	1,000,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each		
At 31 December 2013, 1 January 2014	182,877,071	183
Conversion of convertible bonds	108,108,108	108
Placement of new shares	36,574,414	37
Shares repurchased and cancelled	(3)	-
At 30 June 2014	327,559,590	328

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT***For the six months ended 30 June 2014***16. COMMITMENTS**

At 30 June 2014, the Group has the following capital commitments outstanding and not provided for in the financial statements:

	<b>As at 30 June 2014 HK\$'000</b>	<b>As at 31 December 2013 HK\$'000</b>
Contracted but not provided for:		
Quality guarantee deposit	17,500	17,500
Interest-free loan to a joint venture	4,000	4,000
	<b>21,500</b>	<b>21,500</b>

**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**

The following were approved in the Company's special general meeting held on 28 July 2014:

- Share consolidation of every ten issued and unissued shares of HK\$0.001 each into one consolidated share of HK\$0.01 (the "Share Consolidation").
- Rights issue of 524,096,944 rights shares (the "Rights Issue") at the subscription price of HK\$0.5 per rights share on the basis of sixteen rights shares for every one consolidated shares upon the effective of the Share Consolidation to raise approximately HK\$252 million (net proceeds) to pay the accrued interest of the Company's convertible bonds and repay the principal amount of the HK\$250 million Series B convertible bonds.

The Share Consolidation was effective on 29 July 2014.

The results of the Rights Issue will be announced on 4 September 2014.

**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 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

Turnover of the Group for the six months ended 30 June 2014 amounted to HK\$83.7 million, which represented an increase of 10% as compared to HK\$76.5 million in the corresponding period 2013.

The consolidated profit of the Group for the six months ended 30 June 2014 amounted to HK\$33.2 million. This represented an increase of approximately HK\$72.1 million as compared to the loss of HK\$38.9 million in the corresponding period 2013.

#### Manufacturing business

Turnover of the manufacturing business achieved a 10% increase to HK\$83.7 million for the six months ended 30 June 2014, compared to HK\$76.5 million in the corresponding period 2013. The increase reflected the combined effect of sales volume changes in different locations of the customers with special good performance of United States of America.

Gross margin decreased slightly from 23% to 22% mainly due to higher labor cost for the six month ended 30 June 2014 as compared to the corresponding period in 2013. As a result gross profit was increased only by HK\$0.8 million or 4% to HK\$18.7 million (six months ended 30 June 2013: HK\$17.9 million) despite a 10% increase in turnover.

Distribution costs which were related to the manufacturing business, increased by 13% or HK\$0.18 million as compared to the corresponding period in 2013 to HK\$1.57 million (2013: HK\$1.39 million) due to increase of turnover. Overall, the manufacturing business recorded a segmental profit of HK\$0.70 million as compared to the corresponding period in 2013 (2013: HK\$2.96 million) mainly due to higher labor cost.

Although global economic activity has strengthened and is expected to improve further on account of recovery in the advanced economies, the uncertainty of financial stability remains a concern as the U.S. Federal Reserve is likely to end the quantitative easing stimulus program in October 2014. Full recovery is unlikely and will be uneven in different market and economies. The Group will continue to focus on product development and cost rationalization and holds a caution view on the growth of its manufacturing business in the second half of 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Coal mining business

As mentioned in the Group's Annual Report 2013, given the unfavorable coal market environment and difficulty in negotiation on land use, the Group selected to extend its schedule of development and production for the Company's coal mining project at Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine"), for the best interest of the shareholders. During the six months ended 30 June 2014, no turnover was recorded for the coal mining segment.

No capital expenditure was incurred on mining infrastructure as there was no development activity during the six month ended 30 June 2014. Operating expenses related to the Group's mining business charged to statement of profit or loss and other comprehensive income were mainly administrative expenses and amounted approximately HK\$1.6 million for the six month ended 30 June 2014.

No substantial development has been made since the end of 2013. The Company will inform the shareholders of the Company of any further development in the operation of the PT Bara Mine as and when appropriate.

The coal resource estimates as at 30 June 2014 were as follows:

JORC Category	Coal Resource Estimate		Change in %	Reason of change
	<i>(in thousand tonnes)</i>			
	As at 30 June 2014	As at 31 December 2013		
Measured	8,705	8,705	Nil	N/A
Indicated	11,537	11,537	Nil	N/A
Inferred	6,097	6,097	Nil	N/A
	<b>26,339</b>	<b>26,339</b>		

## MANAGEMENT DISCUSSION AND ANALYSIS

The above estimates of the PT Bara Mine were same as in the report dated 2 June 2011 (the “2011 Report”) prepared by Roma Oil and Mining Associates Limited (“Roma”) under the JORC Code because there was no material change to the project since then. Two reviews were done by Roma in February 2012 and 2013 respectively. Both reviews confirmed there was no material change to the project during 2011 and 2012 and the coal resources estimates as of 31 December 2011 and 31 December 2012 were the same as in the 2011 Report. An internal review was carried out in January 2014 by the manager of development and mine operation of the PT Bara Mine’s local management team who is a geologist by training with over 20 years experiences in the coal mining business in Indonesia. As no exploration and mining activity had been carried out in 2013 and therefore no material change to the PT Bara Mine since the end of 2012, the coal resources estimates as of 31 December 2013 were the same as of 31 December 2012. No further review was done during the six months ended 30 June 2014.

Another update of the coal resources estimate will be conducted at the beginning of 2015 as and when required.

The carrying amount of the exploration and evaluation assets is adjusted for impairment annually. The last valuation of PT Bara Mine was done at the beginning of 2014 and an impairment loss of HK\$29 million was recognised for the year ended 31 December 2013 (2012: HK\$182 million) being the carrying amount of the PT Bara Mine that exceeded its recoverable amount as at 31 December 2013.

### Others

A non-cash fair value gain of HK\$44.8 million on the derivative components of the convertible bonds issued by the Company was charged to profit or loss for the six months ended 30 June 2014 (six months ended 30 June 2013: a fair value loss of HK\$11.6 million). The gain was the net effect of a fair value gain of HK\$90.7 million recognized on the derivative components of the Series A convertible bonds upon conversion during February 2014 and a fair value loss of HK\$45.9 million recognized on derivative components of the outstanding Series B convertible bonds as at 30 June 2014. The fair values on the derivative components of the convertible bonds were estimated using Monte Carlo Simulation method. The decrease in fair value of the outstanding Series B convertible bonds was mainly due to the decrease of the Company’s stock price from HK\$0.39 (as at 31 December 2013) to HK\$0.182 (as at 30 June 2014). Details of other changes of the key assumptions used in the valuation will be disclosed in the 2014 Interim Report which will be dispatched to the shareholders of the Company in September 2014.

## LIQUIDITY AND FINANCIAL RESOURCES

### Cash position

As at 30 June 2014, the Group had total cash and bank deposits amounted to HK\$9.5 million (31 December 2013: HK\$13.4 million) which included foreign currency deposits denominated in Renminbi (“RMB”) amounted to HK\$3.8 million (31 December 2013: HK\$7.88 million).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Current ratio

As at 30 June 2014, the Group had net current liabilities of HK\$45.6 million (31 December 2013: HK\$206.2 million). The current ratio being current assets over current liabilities as at 30 June 2014 was 0.60 (31 December 2013: 0.36).

### Debts and borrowings

As at 30 June 2014, the Group had total debts and borrowings of HK\$267 million (31 December 2013: HK\$479.8 million) which included an unsecured loan from financial institution and secured bank loan and factoring loan of HK\$16.4 million (31 December 2013: HK\$17.3 million), unsecured other loans of HK\$Nil (31 December 2013: HK\$6.5 million) and convertible bonds of HK\$250.6 million (31 December 2013: HK\$456 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. The Group's gearing ratio was 15.6 as at 30 June 2014. (It is not applicable as the Group had a net deficiency in capital as at 31 December 2013).

### Going concern

Although the Group had net current liabilities of approximately HK\$45.6 million as at 30 June 2014, the Directors, based upon the Group's latest operational forecasts and the rights issue to be completed in the beginning of September 2014, have a reasonable expectation that the Group will have adequate or access to resources to obtain necessary the fund at a level sufficient to finance the working capital requirements of the Group in foreseeable future. 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.

### EMPLOYEES AND REMUNERATION POLICY

At 30 June 2014, the Group had 26 employees (31 December 2013: 23) in Hong Kong, 755 employees (31 December 2013: 807) in PRC and 4 employees (31 December 2013: 17) in Indonesia. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical cover, training as well as share option scheme for directors and senior management. No share options were granted or exercised during the six months ended 30 June 2014.

## 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 2014. The unaudited interim financial statements for the six months ended 30 June 2014 were approved and authorized for issue by the Board on 28 August 2014.

### INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2014 (2013: HK\$Nil).

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

As at 30 June 2014, 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.

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

As at 30 June 2014, so far as are known to the Directors, the persons (other than Directors or chief executives of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or had otherwise notified the Company were as follows:

## OTHER INFORMATION

### 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 ("Early State")	Beneficial owner	37,558,960	–	11.47%
Mr. Lee Fook Kheun ("Mr. Lee") (Note 1)	Interest in controlled corporation	37,558,960	–	11.47%
Gloss Rise Limited ("Gloss Rise") (Note 2)	Beneficial owner	–	200,000,000 (Note 5)	61.06% (Note 5)
Action Hero Investments Limited ("Action Hero") (Note 3)	Interest in controlled corporation	–	200,000,000 (Note 5)	61.06% (Note 5)
Jade Bliss Limited ("Jade Bliss") (Note 3)	Interest in controlled corporation	–	200,000,000 (Note 5)	61.06% (Note 5)
Ng Chun Sang ("Mr. Ng") (Note 4)	Indirect interest in controlled corporation	–	200,000,000 (Note 5)	61.06% (Note 5)

## OTHER INFORMATION

*Note 1:* 37,558,960 shares were held by Early State which was wholly-owned by Mr. Lee.

*Note 2:* Series A and Series B convertible bonds with a principal of HK\$200,000,000 and HK\$300,000,000 were issued by the Company respectively to Gloss Rise as consideration to acquire the PT. Bara Mine on 13 July 2011. As at 30 June 2014, Series B convertible bonds with a principal of HK\$250,000,000 were still outstanding.

*Note 3:* Action Hero and Jade Bliss held 85% and 15% of the issued of Gloss Rise respectively.

*Note 4:* Mr. Ng indirectly held 100% of the issued capital of Gloss Rise through Action Hero and Jade Bliss.

*Note 5:* Assume full conversion of all outstanding Series B convertible bonds at HK\$1.25 per share, 200,000,000 new shares may be issued as at 30 June 2014.

Other than as disclosed above, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company as at 30 June 2014.

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

The Company had repurchased and cancelled 3 shares of the Company's listed securities during the six months ended 30 June 2014 to facilitate the Share Consolidation.

Save as disclosed above, 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 2014.

### **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 2014.

### **CORPORATE GOVERNANCE CODE**

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2014 except for Mr. Lam Bing Kwan, an independent non-executive Director of the Company, was not appointed for a specific term which deviated from code provision A.4.1. The Company is of the view that the appointment of each Director will be reviewed when the Director is due for re-election and this meets the objective of the said code provision.

## OTHER INFORMATION

### AUDIT COMMITTEE

As at the date of this report the Audit Committee comprises Mr. Hau Chi Kit, Mr. Lam Bing Kwan, Mr. Leung Chi Hung and Mr. Li Hon Kuen being all the INEDs in the Board. 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.

By order of the Board  
**eForce Holdings Limited**  
**Liu Liyang**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 28 August 2014

*As at the date of this report, the Board comprises Mr. Tam Lup Wai, Franky, Mr. Liu Liyang, Mr. Au Yeung Yiu Chung, Mr. Chan Tat Ming, Thomas and Mr. Luo Xiaohong being executive Directors and Mr. Hau Chi Kit, Mr. Lam Bing Kwan, Mr. Leung Chi Hung and Mr. Li Hon Kuen being independent non-executive Directors.*