意科控股

eFORCE HOLDINGS LIMITED

意科控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors ("Directors") of eForce Holdings Limited (the "Company") herein announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	**2013**	2012
		HK$'000	*HK$'000*
Turnover	3	**166,013**	149,534
Cost of sales		**(125,707)**	(117,856)
Gross profit		**40,306**	31,678
Other income	4	**2,002**	42,937
Distribution costs		**(3,884)**	(3,234)
Administrative expenses		**(66,610)**	(64,035)
(Loss)/profit from operations		**(28,186)**	7,346
Finance costs	7	**(28,203)**	(27,363)
Fair value loss on derivative components of convertible bonds		**(21,679)**	–
Impairment loss on exploration and evaluation assets		**(29,000)**	(182,000)

	Note	2013 HK$'000	2012 HK$'000
Loss before tax		**(107,068)**	(202,017)
Income tax expense	8	**(1,084)**	(364)
Loss for the year	6	**(108,152)**	(202,381)
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**1,227**	(759)
Item that will not be reclassified to profit or loss:			
Gains on property revaluation		**6,692**	3,702
Other comprehensive income for the year, net of tax		**7,919**	2,943
Total comprehensive income for the year		**(100,233)**	(199,438)
Loss for the year attributable to owners of the Company		**(108,152)**	(202,381)
Total comprehensive income for the year attributable to owners of the Company		**(100,233)**	(199,438)
		HK$	*HK$*
Loss per share	9		
Basic		**(0.59)**	(1.11)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2013

	Note	**2013**	2012
		HK$'000	*HK$'000*
Non-current assets			
Exploration and evaluation assets		**251,031**	280,031
Property, plant and equipment		**63,490**	55,930
Investments in associates		**–**	–
Investment in a joint venture		**(40)**	(40)
Other non-current assets		**–**	–
		314,481	335,921
Current assets			
Inventories		**28,192**	17,314
Trade and other receivables	10	**30,193**	30,743
Derivative component of convertible bonds	12	**45,759**	67,438
Pledged bank deposits		**–**	1,500
Bank and cash balances		**13,446**	40,646
		117,590	157,641
Current liabilities			
Trade and other payables	11	**(73,786)**	(64,862)
Liability component of convertible bonds	12	**(220,954)**	(7,000)
Borrowings		**(17,284)**	(17,202)
Unsecured other loans		**(6,500)**	(6,500)
Current tax liabilities		**(5,225)**	(4,562)
		(323,749)	(100,126)
Net current (liabilities)/assets		**(206,159)**	57,515
Total assets less current liabilities		**108,322**	393,436

	Note	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Deferred tax liabilities		**(9,334)**	(6,921)
Liability component of convertible bonds	12	**(235,031)**	(422,325)
		(244,365)	(429,246)
NET LIABILITIES		**(136,043)**	(35,810)
Capital and reserves			
Share capital		**183**	183
Reserves		**(136,226)**	(35,993)
TOTAL EQUITY		**(136,043)**	(35,810)

Notes:

1. **BASIS OF PREPARATION**

The preliminary announcement of the Group's results for the year ended 31 December 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2013. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

Going concern

The Group incurred a loss attributable to owners of the Company of approximately HK$108,152,000 for the year ended 31 December 2013 and as at 31 December 2013 the Group had net current liabilities and net liabilities of approximately HK$206,159,000 and HK$136,043,000 respectively. In addition, the maturity date of series B convertible bonds is 12 July 2015. Any bonds not converted will be redeemed on that date by their principal amount together with unpaid interest. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 in foreseeable future. On 27 February 2014, the bond holders of series A convertible bonds 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. Consequently, the liability component of convertible bonds of approximately HK$198,602,000 included in current liabilities had been released and converted into share capital. Nevertheless, in order to have sufficient cash resources to satisfy the Group's medium to long term working capital and other financing need, the Group intends to do, but not limited to, the following corporate exercises:

(a) To raise additional working capital of the Group by placing shares with general mandate already authorised or to be authorised by the shareholders in the annual general meeting.

(b) To refinance the series B convertible bonds.

In light of the corporate exercises to be taken, the Group will have sufficient cash resources to satisfy its medium to long term working capital and other financing need. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their liquidation amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (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 ("HKAS"); 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 year and prior years except as stated below.

(a) Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries, associates and joint arrangements in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

(c) **HKFRS 13 "Fair Value Measurement"**

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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. 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 year represents manufacture and sale of healthcare and household products.

4. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Fair value gain on derivative component of convertible bonds	**–**	40,754
Income from scrap sales	**781**	864
Interest income	**27**	35
Net exchange gains	**–**	103
Net gain on disposals of property, plant and equipment	**78**	51
Written off of other payables	**795**	556
Others	**321**	574
	2,002	42,937

5. 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 year ended 31 December 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.

Segment profits or losses, segment assets and segment liabilities do not include results, assets and liabilities from corporate income and expenses, corporate assets and liabilities.

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

	Coal mining business *HK$'000*	**Health care and household products** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2013			
Turnover	–	166,013	166,013
Segment (loss)/profit	(84,372)	2,500	(81,872)
Interest income	–	12	12
Finance costs	26,660	1,229	27,889
Depreciation	181	4,838	5,019
Income tax expense	–	1,039	1,039
Other material non-cash items:			
Impairment of assets	29,000	–	29,000
Additions to segment non-current assets	136	3,977	4,113
As at 31 December 2013			
Segment assets	297,322	128,346	425,668
Segment liabilities	553,947	96,884	650,831
Investment in a joint venture	–	(40)	(40)

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

	Coal mining business *HK$'000*	Health care and household products *HK$'000*	Total *HK$'000*
Year ended 31 December 2012			
Turnover	–	149,534	149,534
Segment loss	(174,141)	(2,010)	(176,151)
Interest income	–	4	4
Finance costs	25,647	1,404	27,051
Depreciation	82	6,825	6,907
Income tax expense	–	248	248
Other material non-cash items			
Impairment of assets	182,000	–	182,000
Additions to segment non-current assets	1,111	3,988	5,099
As at 31 December 2012			
Segment assets	348,384	107,535	455,919
Segment liabilities	520,636	87,172	607,808
Investment in a joint venture	–	(40)	(40)

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

	2013	2012
	HK$'000	*HK$'000*
Profit or loss		
Total loss of reportable segments	**(81,872)**	(176,151)
Unallocated corporate results	**(26,280)**	(26,230)
Consolidated loss for the year	**(108,152)**	(202,381)
Assets		
Total assets of reportable segments	**425,668**	455,919
Unallocated corporate assets	**6,403**	37,644
Elimination of intersegment assets	**–**	(1)
Consolidated total assets	**432,071**	493,562
Liabilities		
Total liabilities of reportable segments	**650,831**	607,808
Unallocated corporate liabilities	**28,836**	28,924
Elimination of intersegment liabilities	**(111,553)**	(107,360)
Consolidated total liabilities	**568,114**	529,372

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**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
France	**13,404**	10,148	**–**	–
Germany	**20,894**	23,112	**–**	–
Indonesia	**–**	–	**251,390**	280,435
Italy	**9,005**	8,961	**–**	–
Japan	**3,772**	4,975	**–**	–
The People's Republic of China (the "PRC")	**21,407**	25,196	**62,669**	53,681
United Kingdom	**8,291**	11,352	**–**	–
United States of America	**58,364**	33,964	**–**	–
Hong Kong and others	**30,876**	31,826	**422**	1,805
Consolidated total	**166,013**	149,534	**314,481**	335,921

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

No turnover has been recorded for coal mining business for 2013 (2012: HK$ Nil).

6. LOSS FOR THE YEAR

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

	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration	**750**	730
Cost of inventories sold #	**125,707**	117,856
Depreciation	**6,127**	8,342
Fair value loss on derivative components of convertible bonds	**21,679**	–
Impairment loss on exploration and evaluation assets	**29,000**	182,000
Net exchange gains/(losses)	**211**	(103)
Operating lease charges in respect of land and buildings	**6,177**	6,472
Research and development costs *	**3,790**	3,530
Staff costs including directors' remuneration		
Salaries, bonus and allowances	**67,698**	53,489
Retirement benefit scheme contributions	**340**	316
	68,038	53,805
Written off of irrecoverable receivables	**140**	–
Written off of property, plant and equipment	**350**	4

* Research and development costs include staff costs of approximately HK$3,559,000 (2012: approximately HK$3,185,000) which are included in the amount disclosed separately above.

\# Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$33,222,000 (2012: approximately HK$24,869,000), which are included in the amounts disclosed separately above.

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Effective interest expenses on liability component of convertible bonds wholly repayable within five years	**26,660**	25,647
Interest on bank loans	**1,122**	1,282
Interest on other loans wholly repayable within five years	**421**	434
	28,203	27,363

8. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	**864**	216
Under-provision in prior years	**220**	148
	1,084	364

No provision for Hong Kong Profits Tax has been made for the year 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 reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before tax	**(107,068)**	(202,017)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**(17,666)**	(33,333)
Tax effect of income that is not taxable	**(14)**	(6,772)
Tax effect of expenses that are not deductible	**18,302**	40,654
Tax effect of temporary differences not recognised	**3**	32
Tax effect of utilisation of tax losses not previously recognised	**(109)**	(125)
Under-provision in prior years	**220**	148
Effect of different tax rates of subsidiaries	**348**	(240)
Income tax expense	**1,084**	364

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 year attributable to owners of the Company of approximately HK$108,152,000 (2012: approximately HK$202,381,000) and the weighted average number of ordinary shares of 182,877,071 (2012: 182,877,071) in issue during the year.

(b) Diluted loss per share

As the exercise of the Company's outstanding convertible bonds for both years would be anti-dilutive, no diluted loss per share was presented in both years.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivables with the following aging analysis:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**6,875**	9,054
31 to 90 days	**16,677**	14,913
91 to 180 days	**2,142**	1,368
181 to 365 days	**–**	–
Over 365 days	**211**	211
	25,905	25,546

Trade debts are normally due within from 30 to 60 days from the date of billing.

As at 31 December 2013, trade debtors and bills receivables of approximately HK$4,504,000 (2012: approximately HK$17,144,000) are assigned to a bank for a factoring loan included in the banking facilities.

11. TRADE AND OTHER PAYABLES

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

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**6,520**	8,486
31 to 90 days	**11,783**	8,742
91 to 180 days	**2,589**	3,084
Over 180 days	**1,862**	1,850
	22,754	22,162

12. CONVERTIBLE BONDS

	2013	2012
	HK$'000	*HK$'000*
Derivative component of convertible bonds		
Series A convertible bonds	**(636)**	–
Series B convertible bonds	**(45,123)**	(67,438)
	(45,759)	(67,438)
Liability component of convertible bonds		
Series A convertible bonds	**213,550**	200,971
Series B convertible bonds	**242,435**	228,354
	455,985	429,325
The maturity of the liability component of the convertible bonds:		
Within one year	**220,954**	7,000
In the second to fifth years inclusive	**235,031**	422,325
	455,985	429,325

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors would like to draw your attention to the fact that the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2013 contains the emphasis of matter paragraph in respect of material uncertainty relating to the going concern as follows:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty relating to the going concern basis

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$108,152,000 for the year ended 31 December 2013 and as at 31 December 2013 the Group had net current liabilities and net liabilities of approximately HK$206,159,000 and HK$136,043,000 respectively. In addition, as mentioned in note 30 to the financial statements, the maturity date of series B convertible bonds is 12 July 2015. Any bonds not converted will be redeemed on that date by their principal amount together with unpaid interest. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Details of the Group's intended corporate exercises to have sufficient resources to satisfy medium to long term working capital and other financing need are set out in note 2 to the financial statements."

These consolidated financial statements have been reviewed by the audit committee of the Company and were approved for issue by the Board of Directors on 26 March 2014.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results for the year

Turnover of the Group for the year ended 31 December 2013 amounted to HK$166 million, which represented an increase of 11% as compared to HK$149.5 million in 2012.

The consolidated loss of the Group for the year ended 31 December 2013 amounted to HK$108.2 million. This represented a decrease of approximately HK$94.2 million or 47% as compared to the loss of HK$202.4 million in 2012.

Following is a review of the principal activities of the Group engaged in 2013.

Manufacturing business

The manufacture and sale of healthcare and household products continue to remain as the Group's core business and the only contributor of the Group's turnover in 2013.

As mentioned in our Interim Report 2013, the turnover has already increased by 5% in the first half of 2013 mainly due to a major customer launching new models of products to replace old ones. Such trend continued in the second half of the year and turnover for the whole year was increased to HK$166 million or by 11% as compared to HK$149.5 million in 2012. Gross profit was increased by HK$8.6 million to HK$40.3 million (2012: HK$31.7 million). The increase in gross profit was mainly attributable to increase in turnover, stable raw material prices and improving production efficiency. Overall, the manufacturing business recorded a segmental profit of HK$2.5 million (2012: loss of HK$2 million) which was attributable to the combine effect of improved gross margin and appreciation of RMB during the year under review.

Coal mining business

As the Group had not yet started any mining production at the Group's coal mine project in Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine"), no revenue was recognized for 2013.

There had been ongoing negotiations between the local management and the landowners and villagers during the whole year of 2013 and as disclosed in the Company's Interim Report 2013, the Company considered that the compensation demanded by some landowners and villagers was not justified as coal price remained low in 2013. Accordingly the local management had made a general offer to the landowners and villagers based on recommendation worked out by consultant and them. Only about one third of the landowners and villagers had given verbal acceptance. Others had either rejected the offer or taken a wait-and-see attitude. In view of their response, the local management had considered to modify its existing plans for infrastructural work and initial production locations but concluded it was not viable as coal price remained relatively low in 2013. As such, there was no exploration activity, development activity and mining activity carried out by the Group during 2013. In addition, there were no contracts or commitments entered into for arrangement of infrastructure building, mining subcontracting and equipment purchasing during 2013.

No capital expenditure was incurred on mining infrastructure as there was no development activity during 2013. 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$ 7 million for the year ended 2013.

As at the date of this report, 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 31 December 2013 were as follows:

	Coal Resource Estimate (in thousand tonnes)			
JORC Category	**As at 31 December 2012**	**As at 31 December 2013**	**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
Total	26,339	26,339		

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.

The Company had also engaged a third party valuer, Greater China Appraisal Limited ("GCA") to assist the management to determine the fair value (the "Valuation 2013") of the Group's exploration and evaluation assets, i.e. the PT Bara Mine, in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. Accordingly, an impairment loss of HK$29 million was recognized for 2013 (2012: HK$182 million) being the carrying amount of the PT Bara Mine that exceeded its recoverable amount at 31 December 2013.

GCA had performed the valuation on the basis of fair value which is defined as "the fair price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Generally, the valuation of any asset can be classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset. GCA, after considering all the three approaches, had applied the market approach whereas the valuer engaged by the Company in previous years had used the income approach in their valuation. The reasons for the change in the valuation approach from those previously adopted were as follows:

1. Income approach used previously is no longer appropriate due to certain change(s) of assumption(s) adopted

   As disclosed in the Company's 2012 Annual Report and 2013 Interim Report, we 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. As such the first year of production was already delayed from the original plan in 2014 to 2015. Due to such uncertainty, making an assumption to start production within a reasonable timeframe, which form the basis for the use of the income approach, would not be considered as appropriate any more.

2. Market approach resulted in a measurement that is equally or more representative of fair value under the present circumstances

   In the market approach, value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another. For the market approach to be used, there must be a sufficient number of comparable companies/transaction to make comparisons, or, alternatively, the industry composition must be such that meaningful comparisons can be made.

   There are three different methods and variations under this approach, namely Broad-based Method, Comparable Transaction Method and the Industry Multiples Method. GCA had considered all of them and applied Comparable Transaction Method because data and information are available for comparatively recent completed market transactions for a number of Indonesian projects with similar characteristics to the PT Bara Mine in terms of stage of development, type of mineral and overall exploration potential and therefore these are considered appropriate to use as a basis for a comparable transaction valuation. In each case, the transaction cost in US Dollars per tonne of coal has been established.

An underlying assumption when using the Comparable Transaction Method is that the terms negotiated and agreed are linked to the coal price at the time of the transaction. Therefore, to compare any project transaction to the Mineral Asset as at the Valuation Date, it is necessary to establish what the likely transaction value would have been if it had occurred at that date. GCA has done this by adjusting the actual transaction parameters at the date of the transaction to the change in coal prices by multiplying the acquisition parameters by the following 'normalising' factor:

US$80.31/tonne (as at 31 December 2013) divided by the US$ coal price at the date of the transaction of the comparable project

The comparable transactions involving coal projects in Indonesia in the last 5 years are set forth in the table below:

	Completion Date	Target Name	Acquirer Name	Location	Percentage *(%)*	Consideration *(US$ million)*
1	27 Jun 2010	Maruwai Coal Project	Adaro Energy	East and Central Kalimantan	25%	335.00
2	03 Nov 2009	Fajar Bumi Sakti PT	Bumi Resources	East Kalimantan	77%	226.48
3	19 Jul 2012	Ganda Alam Makmur PT	LG International Corp	Kalimantan	60%	212.57

Source: Bloomberg

The relevant coal prices used for the comparable transactions are shown in table below:

Completion Date	Event	Coal Price[1] *(US$/t)*
31 Dec 2013	GCA Effective Valuation Date for the PT Bara Mine	80.31
27 Jun 2010	Adaro Energy purchases Maruwai Coal Project	97.22
03 Nov 2009	Bumi Resources purchases Fajar Bumi Sakti PT	68.99
19 Jul 2012	LG International Corp purchases Ganda Alam Makmur PT	81.69

Note 1: Proxy using Harga Batubara Acuan(HBA), which is a thermal coal international price reference published by Indonesia's Ministry of Energy and Minescalculated using monthly price average based 25% on Platts Kalimantan 1 (5,900 kcal/kg GAR) assessment; 25% on the Argus-Indonesia Coal Index 1 (6,500 kcal/kg GAR); 25% on the Newcastle Export Index --formerly the Barlow-Jonker index (6,322 kcal/kg GAR) of Energy Publishing; and 25% on the globalCOAL Newcastle (6,000 kcal/kg NAR) index.

To utilize the comparable transactions above in valuing the PT Bara Mine, it is necessary to establish the in-ground coal endowment of the PT Bara Mine. Below is the attributable coal resources of the PT Bara Mine:

Resources Category	**Coal Resources Tonnage** *(Million Tonne)*	**GCA Factor**	**GCA Fatorised Tonnes** *(Million Tonne)*
Measured	8.70	100%	8.70
Indicated	11.50	100%	11.50
Inferred	6.10	0%	–
Total	26.30		20.20

Consequently using an attributable coal endowment for the PT Bara Mine of 20 million tonnes (rounded) and the comparable transaction US$/tonne range indicated from the relevant coal prices used for the comparable transactions, GCA come up with a range of HK$179.2 million to HK$376.3 million and average of HK$251.3 million *(Exchange rate used: US$1 = HK$7.7540)* which was below the carrying value of the PT Bara Mine of HK$280.0 million, resulting in an impairment charge of HK$29 million.

Others

Other income decreased by HK$40.9 million to HK$2 million was mainly attributable to a fair value loss of HK$21.6 million on derivative components of the outstanding convertible bonds of the Company issued in July 2011 (the "Convertible Bonds 2012") while a fair value gain of HK$40.7 million was recorded in previous year.

Finance costs slightly increased by HK$0.8 million to HK$28.2 million (2012: HK$27.4 million). Administrative expenses and distribution costs in 2013 were maintained at about the same level as the previous year.

BUSINESS OUTLOOK

Although global economic activity has strengthened during the second half of 2013 and is expected to improve further in 2014 on account of recovery in the advanced economies, downside risks to financial stability remain a concern due to the U.S. Federal Reserve has begun tapering its quantitative easing measures in January 2014. Full recovery is unlikely and will be uneven in different market and economies. Therefore, the management is caution about growth in the Company's manufacturing business in 2014 and will continue to put our focus on product development and cost rationalization in meeting any challenges ahead.

Coal has been in a bear market since March 2012 after dropping 20 percent from its peak in January 2011(*Source: Bloomberg*) and remained at a low level throughout 2013. We expect coal price will remain low in 2014 as there are adequate supplies in the market. In view of the gloomy outlook of coal price and the difficulty in negotiating with the landowners and villagers, the Company will adjust its business strategies for the coal mining business in 2014. We will conduct a full review of the PT Bara mine and in order to resolve the problem with the landowners and villagers, we will consider looking for local partner to operate the mine. Further announcement will be made as and when appropriate.

The Group's Liquidity and Financial Resources

Cash position

As at 31 December 2013, the Group had cash and bank deposits of HK$13.4 million (2012: HK$42.1 million, which included a pledged bank deposits of HK$1.5 million) and a foreign currency deposits denominated in Renminbi ("RMB") amounted to HK$7.87 million (2012: HK$3.97 million).

Current ratio

As at 31 December 2013, the Group had net current liabilities of HK$206.2 million (2012 net current assets: HK$57.5 million) and current ratio (being current assets over current liabilities) of 0.36 (2012: 1.6).

Debts and borrowings

As at 31 December 2013, the Group had total debts and borrowings of HK$479.7 million (2012: HK$453 million) including unsecured loan form financial institute and secured bank loan and factoring loan of HK$17.3 million (2012: HK$17.2 million), unsecured other loans of HK$6.5 million (2012: HK$6.5 million) and convertible of HK$455.9 million (2012: HK$429.3 million).

Gearing ratio

The Group's gearing ratio 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 is not applicable as the Group had a net deficiency in capital as at 31 December 2013 and 31 December 2012.

Financial resources

Although the Group had sustained recurrent losses and had a net current liabilities of HK$206 million and net liabilities of HK$136 million as at 31 December 2013, based on its latest forecast the Directors are of the opinion that the Group has fund at a level sufficient to finance the working capital requirements of the Group.

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") and Renminbi ("RMB"). 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.

Material Acquisitions and Disposal of Subsidiaries

The Group had neither any material acquisition nor disposal in 2013.

Material Contingent Liabilities

The Group is not aware of any material contingent liabilities as at 31 December 2013.

Employees and Remuneration Policy

At the balance sheet date, the Group had 26 employees (2012: 25) in Hong Kong, 676 employees (2012: 727) in PRC and 15 employees (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.

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 considered, 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 year under the Share Option Scheme 2010.

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 year.

CORPORATE GOVERNANCE

During the year ended 31 December 2013, the Company has complied with all provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the following:

(a) 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. Li Hon Kuen and Mr. Leung Chi Hung who were appointed for initial term of one year commenced on 19 July 2013 and 1 December 2012 respectively. As Directors' appointment will be reviewed when they are due for reelection thus the Company is of the view that this meets the same objectives of the said code provision.

(b) According to Rule 3.10A, the Company was required to appoint independent non-executive directors representing at least one-third of the Board Company by 31 December 2012. From 1 January 2014 to 18 March 2013, the Board comprised of a total of seven executive Directors and three independent non-executive directors. As such, the Company was not complied with Rule 3.10A.

(c) From 19 April 2013 to 19 July 2013 and from 1 August 2013 to 13 December 2013, due to the resignation of Mr. Wong Man Chung Francis and Mr. Lam Ming On as INEDs, the Company was not complied with:

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

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

    iii. Rule 3.21: the Audit Committee does not comprise at least three members;

    iv. Rule 3.25: the Remuneration Committee does not comprise a majority of independent non-executive Directors; and

    v. Provision A.5.1: the Nomination Committee does not comprise a majority of independent non-executive Directors.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management its internal controls and financial reporting matters. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2013.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkex.com.hk). The annual report of the Company for the year ended 31 December 2013, containing all the information required by Appendix 16 to the Listing Rules, will be dispatched to shareholders of the Company and published on the Stock Exchange's website in due course.

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

Hong Kong, 26 March 2014

At the date of this announcement, the Board comprises Mr. Tam Lup Wai, Franky, Mr. Liu Liyang, Mr. Chan Tat Ming, Thomas and Mr. Luo Xiaohong being executive Directors and Mr. Hua Chi Kit, Mr. Lam Bing Kwan, Mr. Leung Chi Hung and Mr. Li Hon Kuen being independent non-executive Directors.