意科控股

eFORCE HOLDINGS LIMITED
意科控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 0943)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

The directors ("Directors") of eForce Holdings Limited (the "Company") herein announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	**2009** **HK$'000**	2008 HK$'000
Turnover	*3*	**112,132**	163,474
Cost of sales		**(92,838)**	(140,078)
Gross profit		**19,294**	23,396
Other income	*4*	**13,483**	5,074
Distribution costs		**(2,873)**	(4,467)
Administrative expenses		**(39,405)**	(45,754)
Loss from operations		**(9,501)**	(21,751)
Finance costs	*6*	**(1,056)**	(1,139)
Share of loss of a jointly controlled entity		**—**	(40)
Loss before tax		**(10,557)**	(22,930)
Income tax expense	*7*	**(3)**	(545)
Loss for the year	*8*	**(10,560)**	(23,475)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**17**	(231)
Gains on property revaluation		**6,082**	—
Other comprehensive income for the year, net of tax		**6,099**	(231)
Total comprehensive income for the year		**(4,461)**	(23,706)
		HK cents	*HK cents*
Loss per share	*9*		
Basic		**(0.38)**	(0.88)
Diluted		**N/A**	N/A

* *for identification purposes only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**38,825**	22,923
Investments in associates		**—**	—
Investment in a jointly controlled entity		**(40)**	(40)
Other non-current assets		**—**	—
		38,785	22,883
Current assets			
Inventories		**12,171**	14,707
Trade and other receivables	*10*	**18,777**	22,709
Pledged bank deposits		**1,500**	1,533
Bank and cash balances		**105,892**	79,212
		138,340	118,161
Current liabilities			
Trade and other payables	*11*	**(54,317)**	(62,107)
Borrowings		**(11,746)**	(4,335)
Unsecured other loans		**(6,500)**	(6,500)
Current tax liabilities		**(4,448)**	(4,448)
		(77,011)	(77,390)
Net current assets		**61,329**	40,771
Total assets less current liabilities		**100,114**	63,654
Non-current liabilities			
Borrowings		**—**	(2,460)
NET ASSETS		**100,114**	61,194
Capital and reserves			
Share capital		**158,896**	132,896
Reserves		**(58,782)**	(71,702)
TOTAL EQUITY		**100,114**	61,194

Notes:

1. Basis of preparation

The preliminary announcement of the Group's results for the year ended 31 December 2009 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The financial information in this announcement has been prepared under the historical cost convention, as modified by the revaluation of land and buildings which are carried at their fair values.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditor, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2009. 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 HKICPA and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

2. Adoption of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); 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 and amounts reported for the current year and prior years except as stated below.

(a) Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(b) Operating Segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

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

	2009	2008
	HK$'000	*HK$'000*
Income from moulds sales, net	**220**	256
Income from scrap sales	**1,060**	2,830
Interest income	**260**	781
Net foreign exchange gains	**—**	903
Net gain on disposals of property, plant and equipment	**25**	1
Rental income	**20**	21
Revaluation surplus on land and buildings	**11,326**	—
Others	**572**	282
	13,483	5,074

5. Segment information

The Group is wholly engaged in the manufacture and sales of healthcare and household products. Accordingly, there is only one single reportable segment of the Group.

Geographical information

The Group's business is managed on a worldwide basis, but participates in four 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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America	**38,178**	55,273	**—**	—
Europe	**35,203**	52,256	**—**	—
The People's Republic of China (the "PRC")	**22,584**	15,568	**37,607**	21,643
Hong Kong and others	**16,167**	40,377	**1,178**	1,240
Consolidated total	**112,132**	163,474	**38,785**	22,883

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

6. Finance costs

	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans	**757**	840
Interest on other loans wholly repayable within five years	**299**	299
	1,056	1,139

7. Income tax expense

(a) Taxation included in consolidated statement of comprehensive income represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**3**	40
Under-provision in prior years	**—**	505
	3	545

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.

Pursuant to relevant laws and regulations in the PRC, the subsidiaries in the PRC are exempted from PRC enterprise income tax for the two years from its first profit-making year and thereafter are entitled to a 50% relief from PRC enterprise income tax for the following three years. One of the subsidiaries in the PRC was in its fifth profit-making year for the financial year ended 31 December 2009 and was therefore entitled to a 50% relief from PRC enterprise income tax for the financial year ended 31 December 2009. However, no provision was made for the financial year ended 31 December 2009 as the subsidiary incurred tax loss in the year. The tax rate applicable to the subsidiary in the PRC, after the 50% relief, was 12.5%.

(b) 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:

	2009	2008
	HK$'000	*HK$'000*
Loss before tax	**(10,557)**	(22,930)
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	**(1,742)**	(3,783)
Tax effect of income that is not taxable	**(1,907)**	(116)
Tax effect of expenses that are not deductible	**2,537**	4,036
Tax effect of temporary differences not recognised	**22**	134
Tax effect of tax losses not recognised	**1,003**	139
Under-provision in prior years	**—**	505
Effect of different tax rates of subsidiaries	**90**	(370)
Income tax expense	**3**	545

8. Loss for the year

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

	2009	2008
	HK$'000	*HK$'000*
Depreciation	**4,579**	5,320
Operating lease charges in respect of land and buildings	**4,556**	4,942
Research and development costs*	**2,609**	2,632
Auditor's remuneration		
Current	**590**	580
Under-provision in prior years	**40**	—
	630	580
Cost of inventories sold#	**92,838**	140,078
Bad debts written off	**—**	717
Reversal of allowance for inventories (included in cost of inventories sold)	**—**	(943)
Written off of property, plant and equipment	**4**	2
Staff costs including directors' remuneration		
Salaries, bonus and allowances	**36,304**	43,524
Retirement benefit scheme contributions	**301**	371
	36,605	43,895

* Research and development costs include staff costs of approximately HK$1,996,000 (2008: HK$2,367,000) which are included in the amount disclosed separately above.

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$20,369,000 (2008: HK$27,231,000), which are included in the amounts disclosed separately above.

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$10,560,000 (2008: HK$23,475,000) and the weighted average number of ordinary shares of 2,747,680,214 (2008: 2,657,926,789) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the two years ended 31 December 2009.

10. Trade and other receivables

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

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**7,376**	11,656
31 to 90 days	**6,044**	7,665
91 to 180 days	**204**	—
181 to 365 days	**1**	1
Over 365 days	**199**	214
	13,824	19,536

Trade debts are normally due within from 30 to 45 days from the date of billing.

As at 31 December 2009, trade debtors and bills receivables of HK$2,170,000 (2008: HK$6,282,000) are assigned to a bank to secure banking facilities.

11. Trade and other payables

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

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**9,487**	7,903
31 to 90 days	**9,285**	13,756
91 to 180 days	**1,915**	6,554
Over 180 days	**2,151**	2,103
	22,838	30,316

FINAL DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The turnover of the Group for the financial year ended 31 December 2009 decreased to HK$112.1 million (2008: HK$163.5 million) or by HK$51.4 million. The decrease in turnover was mainly due to weak demand in the global consumer products market. Sales to North America decreased to HK$38 million (2008: HK$55 million) or by HK$17 million. Sales to Europe decreased to HK$35 million (2008: HK$52 million) or by HK$17 million.

Gross profit margin was improved to 17% from 14% in 2008. The increase was the combined effect of the decrease in raw materials prices and the implementation of various cost reduction exercises as planned in 2009. However, the decrease of turnover had out-weighted the rise in gross profit margin and gross profit was decreased to HK$19 million from HK$23 million in 2008.

Overall, the Group recorded a loss of HK$10.6 million in this financial year compared to HK$23.5 million loss in 2008. The decrease in loss was mainly the net effect of the decrease of gross profit by HK$4 million (2009: HK$19 million and 2008: HK$23 million), the decrease of net foreign exchange gain by HK$0.9 million (2009: Nil and 2008: HK$0.9 million), the decrease of income from scarp sales by HK$1.7 million (2009: HK$1.1 million and 2008: HK$2.8 million), the recognition of a revaluation surplus on land and buildings of HK$11.3 million (2008: Nil), the decrease of distribution costs by HK$1.6 million (2009: HK$2.9 million and 2008: HK$4.5 million) and the decrease of administrative expenses by HK$6.4 million (2009: HK$39.4 million and 2008: HK$45.8 million). Both distribution costs and administrative expenses decreased as a result of lower turnover.

Excluding the recognition of the revaluation surplus on land and buildings of HK$11.3 million, the Group's loss for the year would be HK$21.9 million, a slight improvement of HK$1.6 million as compared to a loss of HK$23.5 million in 2008.

The Company had completed a top-up placing in October 2009 and issued a total of 520,000,000 ordinary shares of HK$0.05 each at the placing prices of HK$0.086 per share. The net proceeds from the top-up placing was about HK$43.3 million and the Company had intended to apply the same as general working capital of the Group.

On 27 November 2009, the Company entered into an agreement in relation to the placing of the convertible bonds for an aggregate principal amount of HK$294,000,000, details of which were set out in the announcement of the Company dated 30 November 2009. As at the date of this report, the placing has not been completed and the conditions precedent of which were still outstanding.

On 18 December 2009, the Company entered into a framework agreement for the acquisition of a mine in Indonesia, details of which were set out in the announcement of the Company dated 23 December 2009. As at the date of this report, no formal agreement in relation to the acquisition has been entered into and the acquisition may or may not proceed.

Share Option Scheme

On 11 February 2010, the directors proposed to adopt a conditional share option scheme ("Share Option Scheme"). A maximum number of 317,792,678 shares, being 10% of the total number of shares in issues, would fall to be issued pursuant to the exercise of any options. Details of the Share Option Scheme are set out in the circular dated 11 February 2010.

Business Outlook

As the signs of recovery in the global economy are still mixed, we remain cautious about the strength of the recovery of the consumer products market and believe demand will remain weak in 2010. Nevertheless, we will prepare ourselves to respond to fluctuations, both positive and negative, in the markets. At the products level, we will collaborate with existing and potential customers to develop new products. At the operational level the management will continually focus on reducing operating costs and improving production efficient. On the other hand, we will continue to exercise due care and diligence to explore other suitable investment, merger and acquisition opportunities to diversify our operation. As mentioned in the above section, the Company had entered into a framework agreement for a possible acquisition of a mine in Indonesia on 18 December 2009. Although this acquisition may or may not proceed, we are well on track to explore new business collaborations and opportunities which can enhance long-term shareholder value in 2010.

The Group's Liquidity and Financial Resources

As at 31 December 2009, the Group had cash and bank deposits of HK$107.4 million (2008: HK$80.7 million) which included a pledged bank deposits of HK$1.5 million (2008: HK$1.5 million) and a foreign currency deposits denominated in Renminbi ("RMB") amounted to HK$2.1 million (2008: HK$1.1 million).

The Group's total borrowings increased to HK$18.2 million (2008: HK$13.3 million). The Group's gearing ratio, which is expressed as a percentage of the Group's total borrowings over total assets value of HK$177 million as at 31 December 2009 (2008: HK$141 million), has increased to 10.3% (2008: 9.4%).

The secured loans are secured over the Group's buildings held for own use situated outside Hong Kong, a fixed deposits of HK$1.5 million (2008: HK$1.5 million), the Company's guarantee and certain trade receivables of a subsidiary.

Despite that the Group sustained recurrent losses; the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements.

Exposure to Fluctuation in Exchange Rates, Interest Rates and Related Hedges

To manage the risk associated with an uncertain market environment, the Group pursues a funding strategy, using equity as far as possible to finance long-term investments.

The Group's borrowings and cash and cash equivalents are primarily denominated in HKD, RMB and USD. The Group does not hedged against foreign exchange risk associated with the USD, as the management believe that the HKD will remain pegged to the USD in the foreseeable future. The management will monitor closely to ensure measures are taken against any adverse impacts on the exchange risk associated with the appreciating RMB.

The interest rates profile of the Group's borrowings comprises a mixture of fixed and floating rates. The Group does not hedged against interest rate risk, as the management does not expect 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 2009.

Material Contingent Liabilities

The Group is not aware of any material contingent liabilities as at 31 December 2009.

Employees and Remuneration Policy

As at as 31 December 2009, the Group employed 26 staffs (2008: 27) in Hong Kong and 1,035 employees (2008: 988) in Mainland China. Employee 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 Group had also granted share options to certain employees of the Group on 10 July 2000, entitling them to subscribe for shares of the Company. These options are exercisable in stages commencing twelve months from the grant date. The lapse date of the options is on 9 July 2010. During the year under review, no share option has been exercised.

On 11 February 2010, the directors has proposed to adopt a new share option scheme which is subject to shareholders' approval on a special general meeting to be held on 3 March 2010. Details of the new share option scheme are set out in the Company's circular dated 11 February 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.

NON-COMPLIANCE WITH THE LISTING RULES 3.10(1) AND 3.21

Rules 3.10(1) and 3.21 of the Listing Rules require every listed company to appoint at least three independent non-executive directors ("INEDs") and the audit committee of the listed company to comprise at least three non-executive directors. After the resignation of Mr. Lau Kam Ying on 19 August 2009 and until the appointment of Mr. Wong Man Chung, Francis ("Mr. Wong") on 12 November 2009, the Company had only two INEDs which fell below the minimum number required under the Listing Rules.

CORPORATE GOVERNANCE

Save as disclosed above, the Company complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules, except for Code Provision A.4.1 which stipulates that INEDs should be appointed for a specific term, subject to re-election. During the year, all the INEDs 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. Wong who was appointed for an initial term of one year commenced on 12 November 2009. As all 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.

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 2009.

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 for the year ended 31 December 2009, 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
Hu Xiao
Chairman and Executive Director

Hong Kong, 1 March 2010

At the date of this announcement, the Board comprises Mr. Hu Xiao and Mr. Tam Lup Wai, Franky being Executive Directors and Mr. Lam Bing Kwan, Mr. Yeung King Wah and Mr. Wong Man Chung, Francis being Independent Non-Executive Directors.