



eFORCE HOLDINGS LIMITED

意科控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of eForce Holdings Limited (the “Company”) is please to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 together with the unaudited comparative figures for the corresponding period 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Note	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover		57,113	48,431
Cost of sales		(46,897)	(39,871)
Gross profit		10,216	8,560
Other income		837	403
Distribution costs		(1,381)	(1,171)
Administrative expenses		(27,122)	(18,470)
Loss from operations		(17,450)	(10,678)
Finance costs		(861)	(493)
Loss before tax		(18,311)	(11,171)
Income tax expense	5	—	—
Loss for the period attributable to owners of the Company	6	(18,311)	(11,171)
		HK cents	HK cents
Loss per share	8		
Basic		(0.56)	(0.42)
Diluted		N/A	N/A

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	<u>(18,311)</u>	<u>(11,171)</u>
Other comprehensive income:		
Exchange differences on translating foreign operations	<u>513</u>	<u>60</u>
Other comprehensive income for the period, net of tax	<u>513</u>	<u>60</u>
Total comprehensive income for the period attributable to owners of the Company	<u><u>(17,798)</u></u>	<u><u>(11,111)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

		30 June 2010 <i>HK\$'000</i> (unaudited)	31 December 2009 <i>HK\$'000</i> (audited)
	Note		
Non-current assets			
Property, plant and equipment		38,241	38,825
Investment in a jointly controlled entity		(40)	(40)
		<u>38,201</u>	<u>38,785</u>
Current assets			
Inventories		16,086	12,171
Trade receivables	9	17,885	13,824
Prepayments, deposits and other receivables		7,196	4,953
Pledged bank deposits		1,500	1,500
Cash and bank balances		<u>135,651</u>	<u>105,892</u>
		<u>178,318</u>	<u>138,340</u>
Current liabilities			
Trade payables	10	(27,426)	(22,838)
Accruals and other payables		(31,617)	(31,479)
Borrowings		(17,097)	(11,746)
Unsecured other loans		(6,500)	(6,500)
Current tax liabilities		<u>(4,448)</u>	<u>(4,448)</u>
		<u>(87,088)</u>	<u>(77,011)</u>
Net current assets		<u>91,230</u>	<u>61,329</u>
NET ASSETS		<u><u>129,431</u></u>	<u><u>100,114</u></u>
Capital and reserves			
Share capital	11	174,746	158,896
Reserves	12	<u>(45,315)</u>	<u>(58,782)</u>
TOTAL EQUITY		<u><u>129,431</u></u>	<u><u>100,114</u></u>

NOTES:

1. BASIS OF PREPARATION

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

These condensed financial statements should be read in conjunction with the 2009 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009 except as stated below.

These condensed financial statements were unaudited but have been reviewed by the Company’s Audit Committee.

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 2010. 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, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

3. COMPARATIVE FIGURES

Certain comparative figures in these condensed financial statements and the notes to the condensed financial statements have been reclassified to conform to the changes in presentation in the current period.

4. 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. The accounting policies of the operating segments are consistent with those used in the annual financial statements for the year ended 31 December 2009.

The following is the turnover of the Group by geographical location of customers:

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Turnover		
North America	13,800	13,202
Europe	27,706	13,919
The People's Republic of China (the "PRC")	6,699	8,820
Hong Kong and others	8,908	12,490
	57,113	48,431

The following is the non-current assets of the Group based on the geographical location of the assets:

	30 June	31 December
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Non-current assets		
The PRC	36,190	37,607
Hong Kong and others	2,011	1,178
	38,201	38,785

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2009: HK\$Nil).

Tax charge on profits assessable elsewhere has 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. No provision was made for the subsidiaries in the PRC as these subsidiaries incurred tax losses during the period.

No deferred tax assets in respect of the accumulated losses has been recognized as it is not probable that future profits will be available against which the asset can be utilized.

6. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income	(71)	(119)
Depreciation	2,450	2,172
Directors' remuneration	826	826
Gain on disposal of property, plant and equipment	(44)	(4)
	<u>(18,311)</u>	<u>(11,171)</u>

7. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2010 (2009: HK\$Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the following:

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings		
Loss for the period attributable to owners of the Company	<u>(18,311)</u>	<u>(11,171)</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period	<u>3,286,512,424</u>	<u>2,657,926,789</u>

No diluted loss per share is presented, as the inclusion of the effects of all potential dilutive ordinary shares would have an anti-dilutive effect on the basic loss per share for both the current and prior periods.

9. TRADE RECEIVABLES

The ageing analysis of trade and bills receivables as at the balance sheet date, based on the invoice date, and net of allowances is as follows:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
0 — 30 days	12,206	7,376
31 — 90 days	5,143	6,044
91 — 180 days	336	204
180 — 365 days	—	1
Over 365 days	200	199
	<u>17,885</u>	<u>13,824</u>

10. TRADE PAYABLES

The aging analysis of the trade and bills payables as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
0 — 30 days	13,205	9,487
31 — 90 days	10,908	9,285
91 — 180 days	707	1,915
Over 180 days	2,606	2,151
	<u>27,426</u>	<u>22,838</u>

11. SHARE CAPITAL

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Authorized: 6,000,000,000 ordinary shares of HK\$0.05 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
3,494,926,789 (At 31 December 2009: 3,177,926,789) ordinary shares of HK\$0.05 each	<u>174,746</u>	<u>158,896</u>

A summary of the movements in the issued capital of the Company during the six months ended 30 June 2010 is as follows:

	No. of shares issued	Amount <i>HK\$'000</i> (unaudited)
At 1 January 2010	3,177,926,789	158,896
Shares issued (<i>Note 1</i>)	<u>317,000,000</u>	<u>15,850</u>
At 30 June 2010	<u><u>3,494,926,789</u></u>	<u><u>174,746</u></u>

Note 1: The Company had completed a share placement in April 2010 and issued a total of 317,000,000 ordinary shares of HK\$0.05 each to independent investors at a placing price of HK\$0.153 per share on 30 April 2010. The premium on the issue of shares, amounting to approximately HK\$31,265,000 net of share issue expenses, was credited to the Company's share premium account.

12. RESERVES

	30 June 2010 <i>HK\$'000</i> (unaudited)	31 December 2009 <i>HK\$'000</i> (audited)
Share premium account	1,541,721	1,510,456
Foreign currency translation reserve	(4,698)	(5,211)
Warrant reserve	24,226	24,226
Property revaluation reserve	6,082	6,082
Accumulated losses	<u>(1,612,646)</u>	<u>(1,594,335)</u>
	<u><u>(45,315)</u></u>	<u><u>(58,782)</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The turnover of the Group for the six months ended 30 June 2010 was HK\$57 million (six months ended 30 June 2009: HK\$48 million), representing an increase of 18% as compared to the corresponding period last year. As the signs of recovery in different geographical markets were mixed, the overall demand for consumer products had only increased slightly. Sales to Europe increased by HK\$14 million to HK\$28 million (six months ended 30 June 2009: HK\$14 million) mainly due to increase orders from an existing customer. Sales to Hong Kong and others decreased by HK\$4 million to HK\$9 million (six months ended 30 June 2009: HK\$13 million) mainly due to weak demand from customers in the region.

Despite an upsurge trend of labor costs in the PRC, gross profit margin maintained at 18% for the six months ended 30 June 2010 mainly due to the decrease in certain raw materials costs and the continuous cost saving measures implemented by the management. Gross profit increased by HK\$2 million to HK\$10 million (six months ended 30 June 2009: HK\$8 million) as compared to the corresponding period last year.

Net loss of the Group for the six months ended 30 June 2010 increased by HK\$7 million to HK\$18 million (six months ended 30 June 2009: HK\$11 million). This increase was mainly due to a HK\$9 million increase in administrative expenses amidst higher project related administrative costs and professional fees partly offset by the HK\$2 million increase in gross profit.

The Company had completed a top-up placing in April 2010 and issued a total of 317,000,000 ordinary shares of HK\$0.05 each at the placing prices of HK\$0.153 per share. The net proceeds from the top-up placing was about HK\$47 million and the Company had intended to apply the same for financing a possible acquisition of a mine in Indonesia and/or general working capital of the Group.

Outlook

We believe the upward trend of demand will continue in the second half of 2010 but remain cautious on the extent of the recovery in the consumer products market. With the continuing appreciation of the Renminbi (“RMB”) against the US dollar (“USD”) and Hong Kong dollar (“HKD”) being our biggest challenge, we are constantly preparing ourselves to respond to fluctuations in the markets. At the products level, we are collaborating with existing customers to develop new products. At the operational level, we are focusing to reduce costs, particularly labor costs, and improve production efficiency.

At the corporate level, we will continue to exercise due care and diligence to explore other suitable investments, merger and acquisition opportunities to diversify our operation. The Company had already 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 endeavoring to explore new business collaborations and opportunities which can enhance long-term shareholders value.

Liquidity and Financial Resources

At 30 June 2010 the Group had net current assets HK\$91 million (31 December 2009: HK\$61 million) representing an increase of 49% as compared to 31 December 2009. Total cash and bank deposits was HK\$137 million (31 December 2009: HK\$107 million) which included a pledged fixed deposits of HK\$1.5 million (31 December 2009: HK\$1.5 million) and foreign currency deposits denominated in RMB amounted to HK\$2.7 million (31 December 2009: HK\$2.1 million).

At 30 June 2010 the Group's total borrowings amounted to HK\$24 million (31 December 2009: HK\$18 million) of which all will be due within one year. Borrowings from bank are secured over the Group's leasehold land and buildings held for own use situated outside Hong Kong, a fixed deposits of HK\$1.5 million (31 December 2009: HK\$1.5 million), the Company's guarantee and certain trade receivables of a subsidiary. The Group's gearing ratio, which is expressed as a percentage of the Group's total borrowings over total assets value of HK\$217 million as at 30 June 2010 (31 December 2009: HK\$177 million), has increased to 11.1% (2009: 10.2%).

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

The Group's borrowings and cash and cash equivalents were primarily denominated in HKD, RMB and USD. The Group does not hedged against foreign exchange risk associated with the USD as the management believes 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 impact 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 rates risk as the managements do not foresee the impact of any fluctuation in interest rates to be material to the Group.

Employees and Remuneration Policies

At 30 June 2010 the Group employed 26 staffs (31 December 2009: 26) in Hong Kong and 1,232 employees (at 31 December 2009: 1,035) in the PRC. Employees' remuneration are given and reviewed regularly based on market norms individual performance and experience. Awards and bonuses are considered based on the Group's overall performance and employees' individual merit.

OTHER INFORMATION

Review of Interim Financial Statements

The Audit Committee has reviewed with management the unaudited interim financial statements for the six months ended 30 June 2010. The unaudited interim financial statements for the six months ended 30 June 2010 were approved and authorized for issue by the Board of Directors on 20 August 2010.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: HK\$Nil).

CHANGES IN BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Changes in brief details of directors and senior management subsequent to the publication of the 2010 annual report are as follows:

Mr. Liu Liyang (“Mr. Liu”) was appointed as the chief executive officer, the deputy chairman of the Board, an executive director of the Company and member of the Remuneration Committee on 19 August 2010.

Mr. Tam Lup Wai, Franky (“Mr. Tam”), who has served as the deputy chairman of the Board and an executive director of the Company, was redesignated as an executive director of the Company on from 19 August 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 six months ended 30 June 2010.

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 2010.

Corporate Governance

The Company has complied with all requirements set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules, except for the following:

Provision A.4.1 stipulates that independent non-executive directors (“INEDs”) should be appointed for a specific term and subject to re-election. During the period under reviewed, all the 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. Wong Man Chung, Francis (“Mr. Wong”) who was appointed for an initial term of one year commenced on 12 November 2009.

Audit Committee

In compliance with the Code an Audit Committee was established on 28 December 1999 with written terms of reference. As at the date of this interim report, the Audit Committee comprises the three INEDs, namely, Mr. Yeung King Wah (“Mr. Yeung”) (Chairman of the Audit Committee), Mr. Lam Bing Kwan (“Mr. Lam”) and Mr. Wong. Both Mr. Yeung and Mr. Wong have the professional qualifications as required under the Listing Rules.

The principal activities of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. The Audit Committee has reviewed with management the unaudited interim financial statements for the six months ended 30 June 2010.

Remuneration Committee

In compliance with the Code the Company has established a Remuneration Committee on 1 August 2005. As at the date of this interim report, the Remuneration Committee comprises the three INEDs and two executive directors, namely, Mr. Liu and Mr. Tam. The Remuneration Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

Publication of the Interim Results Announcement and Interim Report

The results announcement of the Group for the six months ended 30 June 2010 is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.todayir.com/listco/hk/eforce>) respectively. The 2010 interim report of the Company will be dispatched to the shareholders and made available on the above websites on or before 30 September 2010.

By order of the Board

Hu Xiao

Chairman

Hong Kong, 20 August 2010

As at the date of this announcement, the Board comprises Messrs. Hu Xiao, Lin Liyang and Tam Lup Wai, Franky as Executive Directors and Messrs. Lam Bing Kwan, Yeung King Wah and Wong Man Chung, Francis as Independent Non-Executive Directors.