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 2011

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 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Turnover	3	**137,061**	141,627
Cost of sales		**(117,888)**	(116,451)
Gross profit		**19,173**	25,176
Other income	4	**5,718**	2,746
Distribution costs		**(3,003)**	(3,110)
Administrative expenses		**(63,435)**	(51,549)
Loss from operations		**(41,547)**	(26,737)
Finance costs	7	**(13,469)**	(1,616)
Loss before tax		**(55,016)**	(28,353)
Income tax (expense)/credit	8	**(299)**	21
Loss for the year	6	**(55,315)**	(28,332)

	Notes	2011	2010
		HK$'000	*HK$'000*
Other comprehensive income			
Exchange differences on translating foreign operations		**1,927**	1,128
Gains on property revaluation		**7,692**	2,546
Other comprehensive income for the year, net of tax		**9,619**	3,674
Total comprehensive income for the year attributable to owners of the Company		**(45,696)**	(24,658)
		HK$	*HK$*
Loss per share	9		(restated)
Basic		**(0.33)**	(0.21)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Exploration and evaluation assets		**461,406**	–
Property, plant and equipment		**55,233**	44,763
Investments in associates		**–**	–
Investment in a jointly controlled entity		**(40)**	(40)
Other non-current assets		**–**	–
		516,599	44,723
Current assets			
Inventories		**19,829**	18,106
Trade and other receivables	10	**27,820**	46,225
Call option assets of convertible bonds	12	**37,765**	–
Pledged bank deposits		**3,000**	1,500
Bank and cash balances		**86,529**	114,439
		174,943	180,270
Current liabilities			
Trade and other payables	11	**(64,248)**	(65,775)
Derivative component of convertible bonds	12	**(11,081)**	–
Liability component of convertible bonds	12	**(7,000)**	–
Borrowings		**(17,407)**	(22,837)
Unsecured other loans		**(6,500)**	(6,500)
Current tax liabilities		**(4,442)**	(4,434)
		(110,678)	(99,546)
Net current assets		**64,265**	80,724
Total assets less current liabilities		**580,864**	125,447
Non-current liabilities			
Deferred tax liabilities		**(5,558)**	(2,876)
Liability component of convertible bonds	12	**(411,678)**	–
		(417,236)	(2,876)
NET ASSETS		**163,628**	122,571
Capital and reserves			
Share capital		**183**	174,746
Reserves		**163,445**	(52,175)
TOTAL EQUITY		**163,628**	122,571

Notes:

1. **Basis of preparation**

The preliminary announcement of the Group's results for the year ended 31 December 2011 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 financial information in this announcement has been prepared under the historical cost convention, as modified by the revaluation of land and buildings, call option assets and derivative component of convertible bonds 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 2011 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 2011. 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.

2. **Adoption of new and revised HKFRSs**

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 2011. 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.

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

	2011	2010
	HK$'000	*HK$'000*
Fair value gain on call option assets and derivative component of convertible bonds	**2,350**	–
Income from moulds sales, net	**195**	1,049
Income from scrap sales	**539**	690
Interest income	**261**	132
Net gain on disposals of property, plant and equipment	**444**	200
Rental income	**–**	2
Reversal of over-provision for accrued expenses in previous years	**1,254**	–
Written back of doubtful debts	**127**	–
Others	**548**	673
	5,718	2,746

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 2011, 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 described in note 3 to the financial statements. 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$'000*	Health care and household product *HK$'000*	Total *HK$'000*
Year ended 31 December 2011			
Turnover	–	137,061	137,061
Segment loss	15,752	13,304	29,056
Interest income	–	2	2
Finance costs	11,775	1,386	13,161
Depreciation	–	6,673	6,673
Income tax expense	–	299	299
Additions to segment non-current assets	461,406	6,141	467,547
As at 31 December 2011			
Segment assets	499,171	104,360	603,531
Segment liabilities	497,283	84,512	581,795
Investments in associates	–	–	–
Investment in a jointly controlled entity	–	(40)	(40)

	Coal mining business *HK$'000*	Health care and household product *HK$'000*	Total *HK$'000*
Year ended 31 December 2010			
Turnover	–	141,627	141,627
Segment loss	–	28,332	28,332
Interest income	–	132	132
Finance costs	–	1,616	1,616
Depreciation	–	6,422	6,422
Income tax credit	–	21	21
Additions to segment non-current assets	–	8,080	8,080
As at 31 December 2010			
Segment assets	–	224,993	224,993
Segment liabilities	–	102,422	102,422
Investments in associates	–	–	–
Investment in a jointly controlled entity	–	(40)	(40)

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

	2011	2010
	HK$'000	*HK$'000*
Profit or loss		
Total loss of reportable segments	**29,056**	28,332
Unallocated corporate results	**26,259**	–
Consolidated loss for the year	**55,315**	28,332
Assets		
Total assets of reportable segments	**603,531**	224,993
Unallocated corporate assets	**88,429**	–
Elimination of intersegment assets	**(418)**	–
Consolidated total assets	**691,542**	224,993
Liabilities		
Total liabilities of reportable segments	**581,795**	102,422
Unallocated corporate liabilities	**29,674**	–
Elimination of intersegment liabilities	**(83,555)**	–
Consolidated total liabilities	**527,914**	102,422

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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
France	**12,627**	11,646	**–**	–
Germany	**26,580**	19,579	**–**	–
Indonesia	**–**	–	**461,406**	–
Italy	**9,473**	10,262	**–**	–
Japan	**7,325**	6,267	**–**	–
The People's Republic of China (the "PRC")	**31,085**	30,203	**52,442**	42,925
United Kingdom	**6,773**	3,414	**–**	–
United States of America	**19,425**	32,306	**–**	–
Hong Kong and others	**23,773**	27,950	**2,751**	1,798
Consolidated total	**137,061**	141,627	**516,599**	44,723

6. Loss for the year

The Group's loss for the year is stated after charging the following:

	2011	2010
	HK$'000	*HK$'000*
Depreciation	**7,747**	6,422
Loss on redemption of convertible bonds	**6,149**	–
Operating lease charges in respect of land and buildings	**6,310**	5,665
Research and development costs *	**3,279**	2,288
Auditor's remuneration	**700**	620
Cost of inventories sold #	**117,888**	116,451
Written off of property, plant and equipment	**730**	20
Staff costs including directors' remuneration		
Salaries, bonus and allowances	**51,973**	46,871
Retirement benefit scheme contributions	**302**	301
	52,275	47,172

* Research and development costs include staff costs of approximately HK$2,950,000 (2010: approximately HK$2,050,000) which are included in the amount disclosed separately above.

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$30,934,000 (2010: approximately HK$26,969,000), which are included in the amounts disclosed separately above.

7. Finance costs

	2011	2010
	HK$'000	*HK$'000*
Effective interest expenses on liability component of convertible bonds wholly repayable within five years	**11,775**	–
Interest on bank loans	**1,261**	1,022
Interest on other loans wholly repayable within five years	**433**	594
	13,469	1,616

8. Income tax expenses/(credit)

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

	2011	2010
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	**–**	85
Under/(over)-provision in prior years	**299**	(106)
	299	(21)

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.

(b) The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss before tax	**(55,016)**	(28,353)
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**(9,078)**	(4,678)
Tax effect of income that is not taxable	**(408)**	(42)
Tax effect of expenses that are not deductible	**10,640**	4,815
Tax effect of temporary differences not recognised	**(49)**	(88)
Tax effect of tax losses not recognised	**12**	241
Under/(over)-provision in prior years	**299**	(106)
Effect of different tax rates of subsidiaries	**(1,117)**	(163)
Income tax expense/(credit)	**299**	(21)

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$55,315,000 (2010: approximately HK$28,332,000) and the weighted average number of ordinary shares of 166,280,140 (2010: 135,663,044 (restated)) in issue during the year.

(b) Diluted loss per share

No diluted loss per share was presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 December 2010.

As the exercise of Group's outstanding convertible bonds for the year ended 31 December 2011 would be anti-dilutive, no diluted loss per share was presented for the year ended 31 December 2011.

10. Trade and other receivables

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

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**7,972**	12,659
31 to 90 days	**12,446**	14,638
91 to 180 days	**1,603**	1,709
181 to 365 days	**230**	28
Over 365 days	**304**	209
	22,555	29,243

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

As at 31 December 2011, trade debtors and bills receivables of approximately HK$7,253,000 (2010: approximately HK$9,670,000) 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 aging analysis:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**9,968**	12,354
31 to 90 days	**10,053**	13,457
91 to 180 days	**2,978**	2,083
Over 180 days	**1,937**	1,831
	24,936	29,725

12. CONVERTIBLE BONDS

	2011	2010
	HK$'000	*HK$'000*
Liability component of convertible bonds		
Convertible bonds issued with equity component *(a)*	**198,808**	–
Convertible bonds issued with derivative component *(b)*	**219,870**	–
	418,678	–
The maturity of the liability component of the convertible bonds:		
Within one year	**7,000**	–
In the second to fifth years inclusive	**411,678**	–
	418,678	–
Derivative component of convertible bonds		
Convertible bonds issued with derivative component *(b)*	**11,081**	–
Call option assets of convertible bonds		
Convertible bonds issued with equity component *(a)*	**14,756**	–
Convertible bonds issued with derivative component (*b*)	**23,009**	–
	37,765	–

(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 per cent will be paid annually up until that settlement date.

The SA contains three components, a call option asset, a liability and an equity component. 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 call option assets is measured at fair value with changes in fair value recognised in the profit or loss.

The proceeds received from the issue of the SA have been split between the call option assets, liability and equity components as follows:

	2011	2010
	HK$'000	*HK$'000*
Value of convertible bonds issued	**192,754**	–
Equity component	**(17,665)**	–
Call option assets	**18,157**	–
Liability component at date of issue	**193,246**	–
Interest charged	**5,562**	–
Liability component at 31 December 2011	**198,808**	–
Call option assets at date of issue	**18,157**	–
Fair value loss for the year	**(3,401)**	–
Call option assets at 31 December 2011	**14,756**	–

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

On 13 July 2011, the Group issued the SB with a principal amount of HK$300,000,000. The SB had a maturity period of four years from the issue date to 12 July 2015. During the period from 13 July 2011 to 12 July 2015, the SB entities the holder to convert the bonds into new ordinary shares of the Company at the higher of the following:

(i) the average closing price of the shares as quoted on the Stock Exchange for the last 5 trading days before the date of the conversion notice; and

(ii) the initial conversion price, subject to adjustment, of HK$0.05 per share. The conversion price was adjusted to HK$1.25 per share due to share consolidation of every 25 shares of HK$0.05 each in the share capital consolidated into 1 consolidated share of HK$1.25 each on 9 November 2011.

Any SB not converted will be redeemed on 12 July 2015 at 100% of their principal amount. Interest of 2 per cent will be paid annually up until that settlement date.

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

The proceeds received from the issue of the SB have been split between the call option assets, derivative and liability components as follows:

	2011	2010
	HK$'000	*HK$'000*
Value of convertible bonds issued	**251,373**	–
Call option assets	**37,321**	–
Derivative component	**(32,175)**	–
Liability component at date of issue	**256,519**	–
Redemption of convertible bonds	**(42,862)**	–
Interest charged	**6,213**	–
Liability component at 31 December 2011	**219,870**	–
Call option assets at date of issue	**37,321**	–
Redemption of convertible bonds	**(5,629)**	–
Fair value loss for the year	**(8,683)**	–
Call option assets at 31 December 2011	**23,009**	–
Derivative component at date of issue	**32,175**	–
Redemption of convertible bonds	**(6,660)**	–
Fair value gain for the year	**(14,434)**	–
Derivative component at 31 December 2011	**11,081**	–

FINAL DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results for the year

Turnover of the Group for the year ended 31 December 2011 amounted to HK$137.1 million, which represented a decrease of 3% as compared to HK$141.6 million in 2010.

The consolidated loss of the Group for the year ended 31 December 2011 amounted to HK$55.3 million. This represented an increase of approximately HK$27.0 million or 95% as compared to the loss of HK$28.3 million in 2010.

Manufacturing business

The Group's manufacturing business continued engage in the manufacture and sales of healthcare and household products for the year ended 31 December 2011.

Turnover of the manufacturing business segment contracted 3% on a year-to-year basis to HK$137.1 million (2010: HK$141.6 million) mainly due to the decrease in sales volume and selling price of the products as a result of economic downturn and the European sovereign debt crisis, which created an uncertain consumer sentiment.

Cost of sales increased slightly by approximately HK$1.4 million from HK$116.5 million to HK$117.9 million despite the decreased in turnover mainly due to the continue appreciation of RMB and the minimum wages of Dongguan Guangdong Province PRC increased from RMB920 to RMB1,100 in March 2011.

As the decrease in the turnover was more than offset the decrease in its cost of sales, the gross profit margin of the manufacturing business was decreased by 4% from 18% in 2010 to 14% in 2011 and resulted in the decrease of gross profit by HK$6.0 million from HK$25.2 million in 2010 to HK$19.2 million in 2011.

Coal mining business

The Company had acquired the entire issued shares capital of Fastport Investment Limited ("Fastport") and its 99.98% indirect interest in the exploration and exploitation rights of a coal mine in the Republic of Indonesia (the "PT Bara Mine") on 13 July 2011 (the "Very Substantial Acquisition"). The PT Bara Mine is the project area with approximately 4,093 hectares, located within two administrative sub-districts of Central Kalimantan Province in the Republic of Indonesia, namely Dusun Tengah and Raren Batuah in Kabupaten Barito Timur, which is the subject of and to the operation production IUP license No.545 of 2009 issued to PT Bara by the Regent of East Barito. The license is valid for the period from 28 December 2009 to 23 December 2019 that will permit PT Bara to conduct coal development and production activities at the PT Bara Mine. In accordance with the VALMIN Code and to comply with the requirements under Chapter 18 of the Listing Rules, a technical report on the PT Bara Mine, dated 2 June 2011 (the "Technical Report") prepared by Roma Oil and Mining Associates Limited ("Roma Technical") was set out in the Company's circular dated 16 June 2011 (the "Acquisition Circular"). As stated in the Technical Report, PT Bara Mine has approximately 8.7 million tonnes of Measured Resources, 11.5 million tonnes of Indicated Resources and 6.1 million tonnes of Inferred Resources of coal resources and the quality of which was assessed to be a medium ash sub-bituminous thermal coal (medium energy).

An updated review of the coal resources estimate as at 31 December 2011 was conducted by Roma Technical in February 2012 under the JORC code which shows no material change for the PT Bara Mine since the last resource estimate done by them in June 2011. Set out below is the highlight of the review:

	Coal Resource Estimate (in million tonnes)			
JORC Category	**As at 2 June 2011**	**As at 31 December 2011**	**Change in %**	**Reason of change**
Measured	8,705	8,705	Nil	N/A
Indicated	11,537	11,537	Nil	N/A
Inferred	6,907	6,907	Nil	N/A
Total	27,149	27,149		

The Very Substantial Acquisition has formed the basis of the Group's mining business segment. However, no turnover was recorded for this business segment for 2011 as the PT Bara Mine was still in its development stage since the completion of the Very Substantial Acquisition in July 2011.

During 2011, approximately HK$17.3 million acquisition and exploration related expenditures were capitalized as costs of the mining rights.

Others

Other income was increased by HK$3.0 million due to fair value gain of HK$2.4 million on the call option assets and derivative component of the convertible bonds issued by the Company in July 2011 (the "Convertible Bonds 2011") and the reversal of certain over-provision for accrued expenses in previous years.

Administrative expenses of the Group were increased by HK$11.9 million mainly due to loss of HK$6.0 million on early partial redemption of the Convertible Bonds 2011 and increase in expenses related to our Indonesia office and other projects.

Finance costs were increased from HK$1.6 million in 2010 to HK$13.5 million in 2011 mainly due to the effective interest charges on liability component of the Convertible Bonds 2011 of HK$11.8 million.

BUSINESS OUTLOOK

Manufacturing business

Although a gradual return of confidence and recovery of investment and consumption are expected for the European Union countries in the second half of 2012 (Interim economic forecast of the European Commission, February 2012), we believe the global consumer confidence will remain weak in 2012 as trend of economic recovery still needs to be consolidated. In order to ensure that we are capable of maintaining our competiveness if the recovery continues, we will focus on new products development and improvement to existing products.

In addition, we will continue our effort to improve workers efficiency. According to the latest HKTDC Research survey dated 12 January 2012, 79% of Hong Kong companies saw rising labour costs in the fourth quarter of 2011 in the PRC. We expect such trend will continue in 2012 and remains as the biggest challenge to our manufacturing business.

Coal mining business

According to the development plan as disclosed in the Acquisition Circular, the production of the mine will commence 18 months from completion of the acquisition or in the first quarter of 2013 and therefore the coal mining business will not have any contribution to the Group's turnover and profit in 2012.

Since the completion of the acquisition, the Company had engaged a local mining consultant to assist the Company in a number of areas, including land compensation negotiation, planning for mine development, production and logistics. Based on the current progress and without any unforeseen circumstances, the Company does not anticipate any major delay in the development of the mine. The Company also does not expect any changes at this stage with respect to the estimated capital expenditure of US$6.8 million for the 12 months period from August 2011 to July 2012 which it still intends to finance through internal funds.

In February 2012, following completion of the acquisition, the Indonesia Government enacted Indonesian Government Regulation No. 24 of 2012 regarding Amendments to Government Regulation No. 23 of 2010 regarding Implementation of Mineral and Coal Mining Business Activities ("**GR 24**"). GR 24 provides that 51% of shares in an operating mining company (i.e. PT Bara) must be owned by Indonesian shareholder(s) by the end of the 10th year from commencement of production (it is unclear from GR 24 if this is from commencement of any production or from commencement of commercial production and it is expected this is a matter on which mining companies will seek clarification). GR 24 provides for this to occur in stages from the 6th to the 10th year of commencement of production and thus will not affect the operation of PT Bara in short term.

Once shares have been divested to Indonesian shareholder(s), the proportion of equity held by the Indonesian shareholder(s) may not be diluted by further share issues.

GR 24 further provides for an order of priority for the prospective Indonesian shareholder(s) to whom shares should be offered, being (in order): (a) central Indonesian Government; (b) regional, provincial or regency government; (c) central Indonesian Government owned company; (d) regional government owned company; and (e) private company wholly owned by Indonesian shareholder(s).

As GR 24 only came into effect on 21 February 2012, there are currently no specific rules regarding pricing of the offer. It is expected that there will be further regulations to be released regarding this.

Notwithstanding that PT Bara is held through an intermediate Indonesian company, we expect that the requirements of GR 24 will apply to PT Bara. We will be considering the best way in which to address the requirements of GR 24. Although all possible effects of GR 24 on the PT Bara Mine in its medium to long term mode of operation are not known yet, our expansion into the coal mine industry as well as other minerals with the aim to broaden the Group's income base will still be our long-term strategy for enhancing shareholders' value.

The Group's Liquidity and Financial Resources

Cash position

As at 31 December 2011, the Group had cash and bank deposits of HK$89.5 million (2010: HK$115.9 million) which included a pledged bank deposits of HK$3 million (2010: HK$1.5 million) and a foreign currency deposits denominated in Renminbi ("RMB") amounted to HK$0.77 million (2010: HK$0.47 million).

Current ratio

The Group had net current assets of HK$64.3 million as at 31 December 2011 (2010: HK$80.7 million). The current ratio being current assets over current liabilities decreased from approximately 1.8 in 2010 to 1.6 in 2011.

Debts and borrowings

As at 31 December 2011, the Group had total debts and borrowings of HK$442.6 million (2010: HK$29.3 million) including unsecured loan form financial institute and secured bank loan and factoring loan of HK$17.4 million (2010: HK$22.8 million), unsecured other loans of HK$6.5 million (2010: HK$6.5 million) and convertible of HK$418.7 million (2010: Nil).

Gearing ratio

The Group's gearing ratio, which is measured by net debts (being total of bank loan and convertible bonds less total cash) divided by equity attributable to equity holder of the Company as at 31 December 2011, has increased to 216% from a net cash position in 2010.

Financial resources

Despite that the Group sustained recurrent losses; the directors of the Company are in the opinion 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

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 hedged 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 Company had completed the Very Substantial Acquisition in July 2011. The consideration of HK$500 million was satisfied by the Company issuing two series of convertible bonds in favor of the vendor. The Very Substantial Acquisition was approved by the shareholders of the Company in a special general meeting held on 5 July 2011. For further details, please refer to the Company's circular and announcements dated 16 June 2011, 5 July 2011 and 14 July 2011 respectively.

Except as disclosed above, the Group had neither any material acquisition nor disposal in 2011.

Material Contingent Liabilities

The Group is not aware of any material contingent liabilities as at 31 December 2011.

Employees and Remuneration Policy

At the balance sheet date, the Group had 26 employees (2010: 26) in Hong Kong, 646 employees (2010: 937) in PRC and 12 employees (2010: Nil) 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 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 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 2011, the Company has complied with all provisions set out in the Code on Corporate Governance Practices ("the Code") 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. Lam Ming On who was appointed for initial term of one year commenced on 1 December 2011. As Directors' appointment will be reviewed when they are due for re-election thus the Company is of the view that this meets the same objectives of the said code provision.

(b) Provision E.1.2 requires the chairman of the board should attend the annual general meeting. Mr. Hu Xiao, who was the Chairman of the Board at that time, did not attend the annual general meeting held on 20 May 2011 (the "Annual General Meeting") due to his other commitment. Mr. Liu Liyang, the Deputy Chairman of the Board, was available to answer questions at the Annual General Meeting instead.

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 2011.

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 2011, 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
Tam Lup Wai, Franky
Chairman and Executive Director

Hong Kong, 26 March 2012

At the date of this announcement, the Board comprises Mr. Tam Lup Wai, Franky, Mr. Liu Liyang, Mr. Jiang Chunming, Mr. Luo Xiaohong, Madam Lu Mujuan, Mr. Siswo Awaliyanto and Mr. Wan Shouquan being Executive Directors and Mr. Lam Bing Kwan, Mr. Lam Ming On and Mr. Wong Man Chung, Francis being Independent Non-Executive Directors.

* *for identification purposes only*