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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 2018

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of eForce Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018 together with the unaudited comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	<i>Notes</i>	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	4	137,189	103,932
Cost of sales		(98,339)	(65,944)
Gross profit		38,850	37,988
Other income		2,547	3,423
Selling and distribution expenses		(6,127)	(5,580)
Administrative expenses		(50,645)	(44,428)
Loss from operations		(15,375)	(8,597)
Net (loss)/gain on fair value changes on financial assets at fair value through profit or loss		(2,492)	2,094
Gain on bargain purchase	10	111,733	—
Share of result of an associate		(332)	—
Finance costs		(913)	(1,611)

	Notes	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit/(loss) before tax		92,621	(8,114)
Income tax expense	5	<u>(855)</u>	<u>(173)</u>
Profit/(loss) for the period	6	<u>91,766</u>	<u>(8,287)</u>
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(1,886)</u>	<u>3,067</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(1,886)</u>	<u>3,067</u>
Total comprehensive income/(loss) for the period		<u>89,880</u>	<u>(5,220)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		92,257	(7,815)
Non-controlling interests		<u>(491)</u>	<u>(472)</u>
		<u>91,766</u>	<u>(8,287)</u>
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		90,217	(4,416)
Non-controlling interests		<u>(337)</u>	<u>(804)</u>
		<u>89,880</u>	<u>(5,220)</u>
Earnings/(loss) per share			
Basic (cents per share)	8	<u>1.13</u>	<u>(0.54)</u>
Diluted (cents per share)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
	Notes		
Non-current assets			
Exploration and evaluation assets		199,280	199,280
Property, plant and equipment	9	111,899	113,286
Goodwill		9,977	9,977
Intangible assets		108,750	116,250
Interest in an associate	10	656,228	—
Financial assets at fair value through profit or loss		26,480	29,422
Other assets		4,720	4,782
		<u>1,117,334</u>	<u>472,997</u>
Current assets			
Inventories		44,827	38,782
Trade and other receivables	11	140,599	102,577
Financial assets at fair value through profit or loss		1,508	1,058
Loans and interests receivables	12	133,844	101,173
Amount due from an associate		21,881	—
Current tax assets		905	—
Bank and cash balances		4,717	306,018
		<u>348,281</u>	<u>549,608</u>
Current liabilities			
Trade and other payables	13	(135,342)	(109,599)
Borrowings		(20,996)	(20,663)
Finance lease payables		(320)	(320)
Current tax liabilities		(4,466)	(4,459)
		<u>(161,124)</u>	<u>(135,041)</u>
Net current assets		<u>187,157</u>	<u>414,567</u>
Total assets less current liabilities		<u>1,304,491</u>	<u>887,564</u>

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
<i>Notes</i>		
Non-current liabilities		
Finance lease payables	(881)	(1,046)
Deferred tax liabilities	(12,634)	(13,430)
	<u>(13,515)</u>	<u>(14,476)</u>
NET ASSETS	<u>1,290,976</u>	<u>873,088</u>
Capital and reserves		
Share capital	351	289
Reserves	1,287,717	869,554
	<u>1,288,068</u>	<u>869,843</u>
Equity attributable to owners of the Company	1,288,068	869,843
Non-controlling interests	2,908	3,245
TOTAL EQUITY	<u>1,290,976</u>	<u>873,088</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION

eForce Holding Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (collectively "the Group") for the period ended 30 June 2018 are manufacturing and trading of healthcare and household products, production and sale of organic agricultural and fertilizers products, money lending business and coal mining business.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information (the "Interim 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 as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017 ("2017 Annual Report").

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of 2017 Annual Report of the Group except as stated below:

a. Financial Assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost; and
- Financial assets at fair value through profit or loss.

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) *Financial assets at fair value through profit or loss*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

b. Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade and loan receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade and loan receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

c. Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as asset is created and enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

d. Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

3. 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 Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

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

4. REVENUE AND SEGMENT INFORMATION

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

	Trading of agricultural and fertilizers products <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Coal mining business <i>HK\$'000</i>	Healthcare and household business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Period ended 30 June 2018: (Unaudited)					
Revenue	17,024	7,800	–	112,365	137,189
Segment (loss)/profit	5,014	7,782	(495)	(1,265)	11,036
As at 30 June 2018: (Unaudited)					
Segment assets	260,938	133,966	199,361	153,286	747,551
Segment liabilities	27,792	15	1,600	121,424	150,831
Period ended 30 June 2017: (Unaudited)					
Revenue	18,109	6,915	–	78,908	103,932
Segment (loss)/profit	2,428	6,914	(187)	548	9,703
As at 31 December 2017: (Audited)					
Segment assets	259,060	101,272	198,501	129,812	688,645
Segment liabilities	23,864	15	–	99,059	122,938

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit or loss:		
Total profit of reportable segments	11,036	9,703
Net (loss)/gain on fair value changes on financial assets		
at fair value through profit or loss	(2,492)	2,094
Gain on bargain purchase	111,733	–
Share of loss of an associate	(332)	–
Corporate and unallocated profit or loss	(28,179)	(20,084)
Consolidated profit/(loss) for the year	91,766	(8,287)

Disaggregation of revenue from contracts with customers

Segment	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Trading of agricultural and fertilizers products <i>HK\$'000</i> (Unaudited)	Healthcare and household business <i>HK\$'000</i> (Unaudited)	Trading of agricultural and fertilizers products <i>HK\$'000</i> (Unaudited)	Healthcare and household business <i>HK\$'000</i> (Unaudited)
United States of America	–	42,220	–	27,854
The People's Republic of China (the "PRC")	17,024	31,154	18,109	21,614
Germany	–	11,730	–	10,666
France	–	4,934	–	5,319
Italy	–	–	–	–
United Kingdom	–	3,041	–	3,232
Japan	–	455	–	1,007
Hong Kong and others	–	18,831	–	9,216
	<u>17,024</u>	<u>112,365</u>	<u>18,109</u>	<u>78,908</u>

All revenue from contracts with customers are recognised at a point in time.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– Under-provision in prior years	885	–
Current tax – PRC Enterprise Income Tax		
– Provision for the year	643	173
Deferred tax	<u>(673)</u>	<u>–</u>
	<u>855</u>	<u>173</u>

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong (six months ended 30 June 2017: Nil).

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.

6. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net loss/(gain) on fair value changes on financial assets at fair value through profit or loss	2,492	(2,094)
Reversal of impairment on trade receivables	–	(1,017)
Directors' emoluments	3,609	2,994
	<u> </u>	<u> </u>

7. INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

8. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$92,257,000 (loss for the six months ended 30 June 2017: approximately HK\$7,815,000) and the weighted average number of ordinary shares of 8,141,776,236 (six months ended 30 June 2017: 1,442,799,400) ordinary shares in issue during the period.

Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the periods ended 30 June 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, property, plant and equipment of approximately HK\$3,631,000 was acquired by the Group (six months ended 30 June 2017: approximately HK\$5,179,000).

10. INTEREST IN AN ASSOCIATE

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Share of net assets	<u>656,228</u>	<u>–</u>

On 16 March 2018, the Group completed the acquisition of 35% of the issued share capital of Pacific Memory Sdn. Bhd. (“Pacific Memory”) for a total consideration of approximately HK\$566,709,000, of which HK\$544,828,000 was the investment cost and HK\$21,881,000 was the shareholders loan. The consideration was satisfied by the allotment and issue of 1,569,420,951 ordinary shares of the Company at HK\$0.209 per share of approximately HK\$328,009,000 and the remaining amount of approximately HK\$238,700,000 by cash.

The fair value of the 1,569,420,951 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company’s ordinary shares at the date of completion of the acquisition.

Pacific Memory is engaged in properties development in Malaysia.

The Group recognised a gain on bargain purchase of HK\$111,733,000 in the acquisition of Pacific Memory. The gain on bargain purchase was mainly attributable to the decline in market price of the consideration shares and the appreciation of properties development project at the date of completion of the acquisition.

11. TRADE AND OTHER RECEIVABLES

The trade and other receivables included trade receivables of approximately HK\$64,168,000 as at 30 June 2018. The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
0 to 30 days	13,561	9,735
31 to 90 days	47,152	12,793
91 to 180 days	2,247	6,560
Over 181 days	<u>1,208</u>	<u>9,822</u>
	<u>64,168</u>	<u>38,910</u>

12. LOANS AND INTERESTS RECEIVABLES

The loans and interests receivables included loans receivables of approximately HK\$125,000,000 as at 30 June 2018. The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
0 to 6 months	90,500	80,000
7 to 12 months	32,500	19,000
Over 12 months	2,000	—
	125,000	99,000

13. TRADE AND OTHER PAYABLES

The trade and other payables included trade payables of approximately HK\$46,985,000 as at 30 June 2018. The aging analysis of the trade payables and bill payables, based on the date of receipt of goods, is as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
0 to 30 days	15,926	7,077
31 to 90 days	19,925	9,265
91 to 180 days	10,363	3,259
181 to 365 days	771	866
	46,985	20,467

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Results for the year

Revenue of the Group for the six months ended 30 June 2018 amounted to approximately HK\$137.2 million, which represented an increase of approximately HK\$33.3 million or 32% as compared to approximately HK\$103.9 million in the corresponding period in 2017.

The consolidated profit of the Group for the six months ended 30 June 2018 amounted to approximately HK\$91.8 million. This represented an increase of approximately HK\$100.1 million as compared to the loss of approximately HK\$8.3 million in the corresponding period 2017.

Following is the review of the business of the Group for the six months ended 30 June 2018 and the outlook of the Group's business in the second half of 2018.

Manufacture and sale of healthcare and household products

Revenue of the manufacturing business increased to approximately HK\$112.4 million for the six months ended 30 June 2018, which represented an increase of approximately HK\$33.5 million or 42% as compared to approximately HK\$78.9 million in the corresponding period in 2017. Sales volume increased in all locations except France, UK and Japan which had a slight decrease of approximately HK\$0.4 million, HK\$0.2 million and HK\$0.6 million respectively. Sales to the United States of America (the "USA") was increased by approximately HK\$14.4 million mainly due to customers launched new product series during the period under review. Sales to the People's Republic of China (the "PRC") was increased by approximately HK\$9.0 million mainly due to customer expanding its market share with new products. Sales to HK and others was increased by approximately HK\$9.6 million mainly due to a customer had shifted the production of one of its existing product lines to us temporarily during the period under review.

Gross profit margin decreased from 25% to 18% as compared to the corresponding period in 2017 mainly due to the increase in labour cost which was caused by labour shortage and tight production schedule requested by customers. As the effect of decrease in gross profit margin was offset by the increase in revenue, gross profit increased marginally to approximately HK\$19.9 million in the period under review (2017: approximately HK\$19.8 million).

Overall, the Group's manufacturing business recorded a segmental loss of approximately HK\$1.3 million as compared to a segmental profit of approximately HK\$0.5 million in the corresponding period in 2017 which reflected the combined effect of increase in overall sales and increase in labour cost.

Although sales had noticeably increase in the first half of 2018, we are cautious about the outlook of the global consumer market in the second half of 2018 as the escalating trade war between USA and PRC shows no signs of easing. On the other hand, with the rising labour cost and profit margins under consistent pressure, we will continue to improve productivity and operational efficiency to lower production costs.

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 recognised from the coal mining business for the six months ended 30 June 2018.

No capital expenditure was incurred on the mining infrastructure as there was no development activity during the six months ended 30 June 2018. 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 to approximately HK\$0.5 million for the six month ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$0.2 million).

The coal resource estimates as at 30 June 2018 were as follows:

JORC Category	Coal Resource Estimate (in thousand tonnes)			
	As at 30 June 2018	As at 31 December 2017	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
	<u>26,339</u>	<u>26,339</u>		

As no exploration and mining activity had been carried out during the six months ended 30 June 2018 and therefore no material change to the PT Bara Mine since the end of 2017, the coal resources estimates as of 30 June 2018 were the same as of 31 December 2017. No review of the coal resources was carried during the six months ended 30 June 2018.

The carrying amount of the exploration and evaluation assets is reviewed for impairment annually. The last valuation of PT Bara Mine was done at the beginning of 2018 by Greater China Appraisal Limited ("GCA") and a reversal of impairment losses of approximately HK\$27.3 million was recognised for the year ended 31 December 2017 being the recoverable amount of the PT Bara Mine that exceeded its carrying amount as at 31 December 2017.

As disclosed in the Company's announcement dated 6 July 2018, PT Bara Utama Persada Raya ("PT BUPR"), a non-wholly owned subsidiary of the Company which holds license of the PT Bara Mine, has cooperated with PT Sinarjaya Mulia Kun ("PT SJMK"), a party independent of the Company and its connected persons (as defined under the Listing Rules), to conduct mining activities at the PT Bara Mine. Pre-mining construction works have been commenced in early July 2018 and the Group is expected to record revenue from the coal mining business during the late third quarter or early fourth quarter in 2018.

Production and sale of organic agricultural and fertilizers products

Revenue of the organic agricultural and fertilizers business decreased by approximately HK\$1.1 million, or 6%, from approximately HK\$18.1 million for the period ended 30 June 2017 to approximately HK\$17.0 million for the period under review. The decrease was mainly due to loss of its market share. Gross profit margin increased slightly from 62% in 2017 to 65%, which was mainly attributable to the decrease in raw material cost. As a result of the foregoing, the gross profit decreased slightly by approximately HK\$0.1 million, or 2%, from approximately HK\$11.3 million for the period ended 30 June 2017 to approximately HK\$11.1 million for the period under review.

The segment recorded a profit of approximately HK\$5.0 million for the period under review as compared to a profit of approximately HK\$2.4 million for the corresponding period in 2017, which was due to a decrease in administrative expenses of approximately HK\$2 million.

Money lending business

The segment revenue being interest income from the Group's money lending business for the six months ended 30 June 2018 period was HK\$7.8 million (2017: HK\$6.9 million). Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 10% per annum to 24% per annum. Total loan receivables as at 30 June 2018 was HK\$125.0 million (31 December 2017: HK\$99.0 million).

Others

The Group recorded a profit of approximately HK\$91.8 million as compared to a loss of approximately HK\$8.3 million in the corresponding period in 2017 which was mainly due to the combined effects of the following reasons:

- (a) The abovementioned reasons for increase or decrease in profit or loss of different reportable segments;
- (b) Other income decreased by approximately HK\$1.0 million as no interest income was recognised from the convertible bonds held by the Company during the period under review as the issuer of the convertible bonds (the "Bond Issuer"), which is a company listed on the Growth Enterprise Market of the Stock Exchange and has been suspended for trading since March 2017, has submitted documents in relation to a creditors schemes to Hong Kong Court and the Grand Court on 18 July 2018.

As disclosed in the Bond Issuer's announcement dated 29 June 2018, the Bond Issuer has also submitted a new listing application to the Stock Exchange on 29 June 2018 relating to its resumption proposal. Against this backdrop, it is prudent for the Company to stop recognising further interest income from the convertible bonds;

- (c) Administrative expenses increased by approximately HK\$6.2 million mainly due to a reversal of interest income of approximately HK\$3.0 million from convertible bonds held by the Company which was recognised as income in previous financial years due to the same reason mentioned in (b) above;
- (d) Net loss of HK\$2.5 million (2017: net gain of HK\$2.1 million) on fair value changes on financial assets at fair value through profit or loss was mainly due to a fair value loss of HK\$2.9 million (2017: a fair value gain of HK\$2.1 million) on convertible bonds held by the Company; and
- (e) A gain on bargain purchase of HK\$111.7 million through profit or loss relating to the acquisition (the "Acquisition") of 35% equity interest in and the shareholders' loans to Pacific Memory Sdn Bhd ("Pacific Memory") during the period under review. The gain was derived from the excess of the Company's share of the net fair value of Pacific Memory's identifiable assets and liabilities over the fair value of its cost of acquiring the interest in Pacific Memory at the date of completion of the Acquisition. The gain on the bargain purchase was a once-off non-cash adjustment which has no impact on the Group's operating cash flow. If the said gain on bargain purchase had not been recognised during the period under review, the Group would have recorded a loss of approximately HK\$20.0 million for the period under review.

Update on the Acquisition and the proposed development

Reference is made to the Company's announcements dated 19 January 2018, 14 February 2018, 8 March 2018 and 16 March 2018, and the Company's circular dated 15 February 2018. As the completion of the Acquisition took place on 16 March 2018, Pacific Memory has become an associate of the Company and its financial results was equity accounted for in the unaudited interim results of the Group in the period under review.

The local management of Pacific Memory has started pre-consultation with relevant government agencies regarding the submission of planning approval and has received comments from these government agencies on the development plan. Based on the updated development plan, the commencement of the first phase of the proposed development is expected to take pace within the first quarter of 2019. The first phase of the proposed development is still estimated to be completed in around 2021 while the second phase of the proposed development is estimated to be completed in 2023.

To conclude, in order to drive sustainable growth for the Group and to enhance long-term corporate value, the management will continue to identify suitable investment opportunities from time to time.

LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 30 June 2018, the Group had cash and bank deposits of approximately HK\$4.7 million (2017: approximately HK\$306.0 million) with a foreign currency deposits denominated in Renminbi amounted to approximately HK\$1.9 million (2017: approximately HK\$8.5 million).

Current ratio

As at 30 June 2018, the Group had net current assets of approximately HK\$187.2 million (2017: approximately HK\$414.6 million) and current ratio (being current assets over current liabilities) of 2.16 (2017: 4.07).

Debts and borrowings

As at 30 June 2018, the Group had total debts and borrowings of approximately HK\$22.2 million (2017: approximately HK\$22 million) which mainly included unsecured loan from financial institutions, secured bank loan and other loans of approximately HK\$21.0 million in total (2017: approximately HK\$20.7 million).

Gearing ratio

The Group's gearing ratio being total debt over total equity is 1.7% (2017: 2.5%).

Exposure to fluctuation in exchange rates, interest rates and related hedges

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. 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 is mainly at fixed rates. The Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest 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.

Employees and remuneration policy

As at 30 June 2018, the Group had 31 employees (2017: 31) in Hong Kong, 1,014 employees (2017: 833) in the PRC and 2 employees (2017: 2) 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 31 August 2015 ("Share Option Scheme 2015"). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, at its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during the six months ended 30 June 2018 under Share Option Scheme 2015.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed and discussed with the management and the auditor the unaudited interim financial statements for the six months ended 30 June 2018. The unaudited interim financial statements for the six months ended 30 June 2018 were approved and authorized for issue by the Board of Directors on 30 August 2018.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

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 2018.

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 2018.

CORPORATE GOVERNANCE CODE

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 during the six months ended 30 June 2018 except for Provision A.4.1 stipulates that independent non-executive Directors ("INEDs") should be appointed for a specific term and subject to re-election. All INEDs of the Company are not appointed for a specific term but are subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. 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.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen, being all the independent non-executive Directors in the Board. Mr. Li Hon Kuen is the Chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the Code.

The primary function of the Audit Committee is to review and monitor the Group's financial reporting process and internal controls. It is also responsible for making recommendation to the Board for the appointment, reappointment or removal of the external auditor.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement of the Group for the six months ended 30 June 2018 is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.eforce.com.hk>) respectively. The 2018 interim report of the Company will be dispatched to the shareholders and made available on the above websites in September 2018.

By order of the Board
eForce Holdings Limited
Liu Liyang

Executive Director and Chief Executive Officer

Hong Kong, 30 August 2018

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Leung Chung Shan, Mr. Tam Lup Wai, Franky, Mr. Liu Liyang, Mr. Au Yeung Yiu Chung and Mr. Chan Tat Ming, Thomas; and three independent non-executive Directors, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen.