DeTeam Company Limited
弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 65)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2013 was approximately HK$286 million, representing a decrease of approximately 34 per cent. as compared with that of the year ended 31 December 2012.

- The Group recorded a loss attributable to owners of the Company of approximately HK$35 million for the year ended 31 December 2013, compared with the loss attributable to owners of the Company of approximately HK$25 million for the year ended 31 December 2012.

- The Directors do not recommend the payment of final dividend for the year ended 31 December 2013.

ANNUAL RESULTS

The board of Directors (the "Board") present the audited consolidated results of the DeTeam Company Limited (the "Company") and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012 as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Note	**2013**	2012
		HK$'000	*HK$'000*
Turnover	5	**286,149**	430,506
Cost of sales		**(241,287)**	(354,499)
Gross profit		**44,862**	76,007
Other income	6	**6,800**	2,523
Selling and distribution expenses		**(3,224)**	(17,414)
Administrative expenses		**(67,192)**	(51,212)
Share-based payments		**–**	(14,892)
Impairment of property, plant and equipment	7	**–**	(62,051)
Other operating expenses		**(11,825)**	(3)
Loss from operations		**(30,579)**	(67,042)
Finance costs	9	**(4,797)**	(7,444)
Loss before tax		**(35,376)**	(74,486)
Income tax (expense)/credit	10	**(32,827)**	10,777
Loss for the year	11	**(68,203)**	(63,709)
Attributable to:			
Owners of the Company		**(35,114)**	(25,385)
Non-controlling interests		**(33,089)**	(38,324)
		(68,203)	(63,709)
Loss per share	13		(Restated)
– Basic		**HK(3.07) cents**	HK(2.41) cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(68,203)**	(63,709)
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**9,060**	9,155
Other comprehensive income for the year, net of tax	**9,060**	9,155
Total comprehensive income for the year	**(59,143)**	(54,554)
Attributable to:		
Owners of the Company	**(27,433)**	(18,143)
Non-controlling interests	**(31,710)**	(36,411)
	(59,143)	(54,554)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**641,806**	557,407
Prepaid land lease payments		**2,818**	2,859
Investment properties		**8,750**	–
Intangible asset		**93,930**	93,292
Deferred tax assets		**41,897**	57,071
Goodwill		**2,907**	2,907
Deposits		**4,379**	–
		796,487	713,536
Current assets			
Inventories		**45,964**	67,682
Prepaid land lease payments		**77**	66
Trade and bill receivables	14	**138,572**	129,145
Deposits, prepayments and other receivables		**11,442**	36,511
Current tax assets		**–**	837
Restricted bank deposits		**8,117**	7,962
Bank and cash balances		**16,852**	34,538
		221,024	276,741
Current liabilities			
Trade payables	15	**14,206**	26,594
Accrued charges and other payables		**219,304**	263,118
Due to non-controlling shareholders		**8,798**	5,940
Due to a director		**1,636**	76
Current tax liabilities		**3,616**	8,120
		247,560	303,848
Net current liabilities		**(26,536)**	(27,107)
Total assets less current liabilities		**769,951**	686,429

	Note	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Other payables		**39,636**	–
Due to non-controlling shareholders		**77,547**	60,730
Borrowings		**85,136**	20,373
Deferred tax liabilities		**12,064**	9,486
		214,383	90,589
NET ASSETS		**555,568**	595,840
Capital and reserves			
Share capital		**114,619**	91,933
Other reserves		**390,170**	382,852
Accumulated losses		**(37,052)**	(4,695)
Proposed final dividend	12	**–**	6,209
Equity attributable to owners of the Company		**467,737**	476,299
Non-controlling interests		**87,831**	119,541
TOTAL EQUITY		**555,568**	595,840

Notes:

1. **General information**

The Company was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its business office is Suite no. 3, 31st floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are manufacturing and sale of plastic woven bags, paper bags and plastic barrels, sale of coal and provision of low-rank coal upgrading services.

2. **Going concern basis**

The Group incurred a loss for the year of approximately HK$68,203,000 (2012: HK$63,709,000) for the year ended 31 December 2013 and as at 31 December 2013 the Group had net current liabilities of approximately HK$26,536,000 (2012: HK$27,107,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and positive cash flows from operations in the immediate and longer terms. In order to strengthen the Group's capital base and liquidity in the foreseeable future, the directors of the Company have taken the following measures:

- the Group entered into a loan agreement for approximately HK$25,400,000 with Mr. Xu Bin, a director and a substantial shareholder of the Company, for a period from 24 March 2014 to 31 October 2015 and the aforesaid loan amount was received by the Group on 27 March 2014;

- Mr. Xu Bin has agreed not to demand for repayment of the above-mentioned loan and the advance due to a director as at 31 December 2013 of approximately HK$1,636,000 until such time as the Group has sufficient funds to repay its other financial obligations, the loans and advances;

- the Group has implemented new production and sales strategies to enhance its turnover and profit;

- the Group has entered into agreements with its major constructors of underground coal mine to extend the repayment periods for one to three years in regarding to the other payables of approximately HK$39,636,000; and

- the Group has entered into agreements to dispose of its investment properties for a cash consideration of approximately HK$8,828,000 and a deposit of approximately HK$4,550,000 was received by the Group on 17 March 2014.

The directors of the Company have taken into account the cash requirements of the Group for the next twelve months from the end of the reporting period and the above measures, directors have concluded that the Group will have sufficient working capital to meet in full its financial obligations as they fall due and accordingly the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets and to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, 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 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

Amendments to HKAS 1 "Presentation of Financial Statements"

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

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

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

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.

4. Basis of preparation

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

5. Turnover

The Group's turnover represents revenue from the followings:

	2013	2012
	HK$'000	*HK$'000*
Sales of bags and barrels	**203,015**	254,114
Sales of coal	**56,297**	168,151
Coal upgrading income	**26,837**	8,241
	286,149	430,506

6. Other income

	2013	2012
	HK$'000	*HK$'000*
Interest income	**115**	180
Gain on disposals of property, plant and equipment	**–**	160
Government grant *(note)*	**800**	1,771
Consultancy service income	**750**	375
Fair value adjustment upon initial recognition of financial liabilities	**4,938**	–
Rental income	**75**	–
Sundry income	**122**	37
	6,800	2,523

Note: Government grant was received as incentive for development of technology. There are no unfulfilled conditions or contingencies attached to the grant.

7. Impairment of property, plant and equipment

At 31 December 2012, the Group's management appointed professional appraisers to perform appraisals on the Group's principal mining structures and related assets for the purpose of determining if the assets have been impaired for those group of assets that have impairment indications and determined that a number of those assets were fully impaired. Impairment loss of HK$1,283,000, HK$47,253,000, HK$12,505,000 and HK$1,010,000 has been recognised in respect of buildings, mining structures, plant and machinery and furniture, fixtures and equipment respectively for that year.

8. Segment information

The Group has three reportable segments as follows:

Bags	–	Manufacture and sale of plastic woven bags, paper bags and plastic barrels;
Coal	–	Trading and distribution of coal; and
Coal upgrading	–	Provision of low-rank coal upgrading services.

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

Segment profit or loss represents the profit earned by each segment without allocation of corporate income and expense and central administration costs. Segment assets excluded goodwill, corporate assets and deferred tax assets. Segment liabilities excluded corporate liabilities and deferred tax liabilities.

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

	Bags	Coal	Coal upgrading	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2013				
Revenue from external customers	**203,015**	**56,297**	**26,837**	**286,149**
Segment profit/(loss)	**26,227**	**(74,786)**	**793**	**(47,766)**
Interest revenue	**64**	**33**	**11**	**108**
Interest expense	**117**	**3,793**	**–**	**3,910**
Income tax expense	**15,180**	**16,130**	**1,517**	**32,827**
Depreciation and amortisation	**7,534**	**35,235**	**3,168**	**45,937**
Loss/(gain) on disposals of property, plant and equipment	**318**	**(59)**	**–**	**259**
Allowance for trade receivables	**2,000**	**9,048**	**–**	**11,048**
Capital expenditure	**31,323**	**1,550**	**98,048**	**130,921**
At 31 December 2013				
Segment assets	**360,744**	**647,303**	**153,411**	**1,161,458**
Segment liabilities	**28,288**	**499,662**	**110,381**	**638,331**
Year ended 31 December 2012				
Revenue from external customers	254,114	168,151	8,241	430,506
Segment profit/(loss)	51,790	(88,926)	649	(36,487)
Interest revenue	108	58	2	168
Interest expense	–	7,251	–	7,251
Income tax expense/(credit)	17,360	(28,596)	459	(10,777)
Depreciation and amortisation	7,145	31,593	963	39,701
Gain on disposals of property, plant and equipment	–	(160)	–	(160)
Impairment of property, plant and equipment	–	62,051	–	62,051
Capital expenditure	1,880	95,854	1,966	99,700
At 31 December 2012				
Segment assets	335,745	715,765	34,612	1,086,122
Segment liabilities	26,749	509,090	30,552	566,391

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

	2013	2012
	HK$'000	*HK$'000*
Revenue	**286,149**	430,506
Profit or loss		
Total loss of reportable segments	**(47,766)**	(36,487)
Unallocated corporate income	**4,314**	387
Unallocated corporate expenses	**(24,751)**	(27,609)
Consolidated loss for the year	**(68,203)**	(63,709)
Assets		
Total assets of reportable segments	**1,161,458**	1,086,122
Corporate assets	**13,925**	30,756
Deferred tax assets	**41,897**	57,071
Goodwill	**2,907**	2,907
Elimination of intersegment assets	**(202,676)**	(186,579)
Consolidated total assets	**1,017,511**	990,277
Liabilities		
Total liabilities of reportable segments	**638,331**	566,391
Corporate liabilities	**61,018**	12,978
Deferred tax liabilities	**12,064**	9,486
Elimination of intersegment liabilities	**(249,470)**	(194,418)
Consolidated total liabilities	**461,943**	394,437

Geographical information:

	Revenue		**Non-current assets**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**2,969**	76
The PRC except Hong Kong	**286,149**	430,506	**748,714**	653,482
Consolidated total	**286,149**	430,506	**751,683**	653,558

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

The non-current assets information above is based on the location of assets and excludes deferred tax assets and goodwill.

Revenue from major customers:

	2013	2012
	HK$'000	*HK$'000*
Bags segment		
Customer a	**203,015**	254,114
Coal segment		
Customer a	**–**	62,747
Coal upgrading segment		
Customer a	**26,837**	8,241

9. Finance costs

	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**–**	1,328
Interest on other loans – wholly repayable within five years	**373**	719
Interest on loan from a related company	**372**	735
Interest on loan from a director	**–**	61
Interest on loan from a non-controlling shareholder	**3,666**	3,979
Impute interest expenses	**270**	–
Bank charges	**116**	622
	4,797	7,444

10. Income tax expense/(credit)

	2013	2012
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the year	**12,816**	18,710
Under-provision in prior year	**337**	72
	13,153	18,782
Deferred tax	**19,674**	(29,559)
	32,827	(10,777)

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2013 as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: HK$Nil).

Tax on profits assessable in the PRC have been provided at the applicable rates of tax in the PRC in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

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

	2013	2012
	HK$'000	*HK$'000*
Loss before tax	**(35,376)**	(74,486)
Tax at the PRC enterprise income tax rate of 25% (2012: 25%)	**(8,844)**	(18,621)
Expenses not deductible for tax purposes	**3,923**	4,266
Income not taxable	**–**	(3)
Tax effect of temporary differences not recognised	**(1,060)**	179
Tax effect of tax loss not recognised	**33,121**	338
Effect of different tax rates	**1,510**	2,203
Deferred tax on undistributed earnings of the PRC subsidiaries	**3,840**	789
Under-provision in prior year	**337**	72
Income tax expense/(credit)	**32,827**	(10,777)

11. Loss for the year

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

	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration	**850**	800
Allowance for inventories (included in cost of inventories sold)	**–**	2,371
Amortisation of mining right	**841**	1,383
Cost of inventories sold	**241,287**	354,499
Depreciation of property, plant and equipment and investment properties	**45,564**	38,294
Impairment of property, plant and equipment	**–**	62,051
Allowance for trade receivables (Included in other operating expenses)	**11,048**	–
Loss/(gain) on disposals of property, plant and equipment	**259**	(160)
Operating lease rentals in respect of buildings	**3,112**	1,634
Rental income	**(75)**	–

Cost of inventories sold includes staff costs, allowance for inventories, operating lease rentals, amortisation of mining right and depreciation of approximately HK$77,075,000 (2012: HK$70,796,000) which are included in the amounts disclosed separately.

12. Dividends

	2013	2012
	HK$'000	*HK$'000*
Final dividend proposed of HK Nil (2012: HK0.65 cent) per ordinary share	**–**	6,209

13. Loss per share

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$35,114,000 (2012: HK$25,385,000) and the weighted average number of ordinary shares of 1,145,395,799 (2012 (restated):1,055,400,727) in issue during the year.

The weighted average numbers of ordinary shares for the purpose of calculating basic loss per share have been retrospectively adjusted to reflect the bonus issue completed on 11 October 2013.

Diluted loss per share

The effect of all potential ordinary shares are anti-dilutive for the years ended 31 December 2013 and 2012.

14. Trade and bill receivables

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**116,734**	129,145
Allowance for trade receivables	**(2,000)**	–
	114,734	129,145
Bill receivables	**23,838**	–
	138,572	129,145

The general credit terms of sales of bags and barrels, sales of coal and coal upgrading business are 30 days.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**83,312**	77,782
91 to 180 days	**29,425**	18,752
181 to 365 days	**564**	31,445
Over 365 days	**1,433**	1,166
	114,734	129,145

15. Trade payables

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**7,561**	7,906
91 to 180 days	**592**	12,909
181 to 270 days	**261**	–
271 to 365 days	**34**	5,686
Over 365 days	**5,758**	93
	14,206	26,594

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditors of the Company:

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mention that the Group incurred a loss for the year of approximately HK$68,203,000 for the year ended 31 December 2013 and as at 31 December 2013 the Group had net current liabilities of approximately HK$26,536,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Changchun Yicheng Packaging Company Limited ("Changchun Yicheng") continued to be the Group's major source of profit contribution, while the business of plastic woven bags maintained steady growth as anticipated.

At the beginning of the year, the Company was informed by the related authorities in Inner Mongolia of the award of a production safety license and a coal production license, with an effective period of 2 years and 14 years, respectively, for our underground coal mine. However, due to sluggish coal price in the second half of 2013, the Group decided to suspend the operation, resulting in minimal contribution to the Group's business income in the second half of the year. After taking effective costs control measures, our underground coal mine is now able to withstand the tough operating environment and has resumed operation since February 2014.

After more than a year of evolvement, the Changchun Dehui Coal Upgrading Plant ("Changchun Dehui") has been in commercial operation and recorded a profit in 2013. The Changchun Dehui has built a solid foundation for the Group's coal upgrading business by accumulating operating data, training talents, improving production process and reducing the overall production cost. After testing various low-rank coals from different coal mines in Inner Mongolia, Changchun Dehui is able to increase the net calorific value on an as received basis by 60% on average (from an average of 3,000 kcal/kg to 5,000 kcal/kg). Moreover, according to the announcement dated 31 December 2011 issued by The Ministry of Science and Technology of the People's Republic of China, the coal upgrading project assumed by Changchun Guochuan Energy has been identified as one of the 863 environmental projects in 2012. With the successful experience in Changchun, the board of directors decided to develop the coal upgrading business in low-rank coal rich regions, especially in the eastern part of Mongolia.

In November 2013, Beijing Guochuan New Energy Development Co., Ltd, ("Beijing Guochuan") and Xilinhaote City Guochuan Energy Technology Development Co., Ltd, ("Xilinhaote Guochuan", together with Beijing Guochuan the "Principals"), both indirect wholly-owned subsidiaries of the Company entered into the project management contract for the construction of the production facilities in Xilinhaote City, the PRC with Dalian Shipbuilding Industry Equipment Manufacturing Company Limited ("Dalian Shipbuilding"). The tentative total project costs payable by the Principals is RMB458.85 million (equivalent to approximately HK$587.33 million). The actual project costs payable by the Principals is subject to adjustments including the adjustments for the increase in raw material and component costs and the amounts of the compensation fees, the inducement fees and the management fees. The actual project costs shall not exceed RMB560 million (equivalent to approximately HK$716.80 million). As approval of the Company's shareholders is one of the conditions precedent to the project management contract and the Group requires additional time to prepare the circular in connection with the transaction, the project management contract has yet to become effective as at the date of this announcement.

Financial review

The Group's turnover was approximately HK$286,149,000, representing a decrease of approximately HK$144,357,000 as compared with HK$430,506,000 for the same period in 2012. Combined with increasing administrative and other operating expenses and charge of deferred tax to profit or loss in underground coal mine business, the loss attributable to owners of the Company was widened to approximately HK$35,114,000 for the year ended 31 December 2013, from approximately HK$25,385,000 for the same period in 2012. During the period, Changchun Yicheng and coal upgrading business recorded a segment profit of approximately HK$26,227,000 and HK$793,000, respectively, while our coal business recorded a loss of approximately HK$74,786,000.

Selling and distribution expenses for 2013 was approximately HK$3,224,000 representing a decrease of HK$14,190,000 as compared with approximately HK$17,414,000 in 2012 due to reduced coal sales for the year.

Administrative expenses for 2013 was approximately HK$67,192,000 as compared with HK$51,212,000 in 2012 due to the expansion of the coal upgrading business.

Other operating expenses for 2013 was approximately HK$11,825,000 as compared with HK$3,000 in 2012 due to the allowance for trade receivables of the coal business and Changchun Yicheng.

Finance costs for 2013 was approximately HK$4,797,000 representing a decrease of 36% as compared with approximately HK$7,444,000 in 2012 because of the decrease in bank borrowings. As at 31 December 2013, there is no bank borrowing in the Group.

In January 2012, an unlisted warrant placing agreement was entered into between the Company and the placing agent in respect of the Placing of 146,376,000 unlisted warrants. The warrant holders would be able to subscribe for each share at HK$0.836. Due to the bonus issue of shares in October 2012, the subscription price and the total number shares that could be issued were adjusted to HK$0.70 and 174,814,766, respectively. 41,054,766 non-listed warrants held by the warrant holders were exercised at the subscription price of HK$0.70 per share in December 2012 and 35,828,572 non-listed warrants held by the warrant holders were exercised at the subscription price of HK$0.70 per share in January 2013. The total net proceeds raised from the exercise of the warrants amounted to around HK$53,818,000 would be used as follows: (i) RMB10,363,000 for increasing the share capital in Beijing Guochuan; (ii) RMB20,000,000 for operating the underground coal mine which commenced production in March 2013; and (iii) the remaining would be used for the general working capital of Hong Kong company. The subscription price and the number of shares to be issued were adjusted to HK$0.58 and 118,193,103, respectively, due to bonus issue of shares in October 2013. The subscription rights attached to the unlisted warrants expired on 10 February 2014.

After the turbulence in 2013, we can see dawn on the road to recovery in 2014 with the full production capacity on the tenth layer coal seam and steady growth in Changchun Yicheng. We sincerely appreciate the continuous support from our shareholders.

Prospects

China is the largest coal producing as well as consuming country in the world. Although its consumption among the types of energies consumed in China has gone down in proportion, it still plays a leading role representing 2/3 of the world's energy consumption. According to professional estimates, coal will still account for nearly 50% of China's energy consumption by the end of 2050.

The main stream solution to air pollution is the development of alternative energies, such as solar and wind power. However, considering their high production costs and relatively immature technologies, alternative energies are still too early to massively replace coal energy. On the other hand, with the concerns on current energy consumption mix and national energy safety, Clean Coal Technology (CCT) is a practical alternative to curb pollution issues in China, and coal upgrading technology is one of the critical aspects in CCT. Currently, coal upgrading technology can be operated in form of project operation and energy management contracts, applying in the area of coal upgrading & integrated utilization, coal-base clean fuels, highly efficient coal-fired power generation, coal combustion & industrial energy conservation.

During the second session of the twelfth Chinese People's Political Consultative Conference and National People's Congress held in Beijing recently, there are many representatives discussing how to use coal in highly efficient and clean way. Some of them has pointed out the current technology is mature enough to discharge less pollutant during the combustion process, compared with the current emission standards for thermal power plants. In order to promote the development of clean coal technology, the relevant government authorities should formulate industry standards, establish national project funds, and enhance existing supporting policies. In addition, the government would also set a timetable and allocate appropriate subsidies for enterprises to replace highly polluting facilities with clean coal facilities. Considering increasing awareness of the Clean Coal Technology, the board of directors believe that there will be related industry policies rolling out soon to expedite the industry development.

Capital structure, liquidity and financial resources

As a result of the bonus issue of shares on the basis of two bonus shares for every ten then existing shares in 2013 and the exercise of 35,828,572 non-listed warrants by the warrant holders in January 2013, the Company has a total number of 1,146,192,918 issued shares.

As at 31 December 2013, the Group had cash and cash equivalents amounting to approximately HK$17 million. Additionally, the Group's gearing ratio was 0.15 which was based on the division of total borrowings by total equity. The Group's liquidity ratio was 0.9.

Pledge of Assets

As at 31 December 2013, the Group had no pledge of assets.

Foreign currency risk

The Group's sales and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollar. Since the exchange rate fluctuation between Hong Kong dollar and Renminbi is very small, the foreign exchange risk is very low and no hedging has been made.

Contingent liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

Employee information

As at 31 December 2013, the Group employed a total of 1,046 full-time employees. The Group has entered into employment contracts with all of its employees. The remuneration package for its staff comprises of monthly salary, provident fund contributions, medical claims, training programmes, housing allowance and discretionary options based on their contribution to the Group.

During the year under review, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

Audit Committee

The Company established an audit committee on 16 August 2001, comprising the independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Huang Shao Ru. The written terms of reference of the audit committee comply with the Listing Rules. The primary duties of the audit committee of the Company are to review the Company's annual report and financial statements, half-year report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee of the Board will also be responsible for supervising and reviewing the financial reporting process and internal control system of the Group.

The audit committee of the Company held four meetings during the year. The audit committee has reviewed the annual results for the year ended 31 December 2013.

Material acquisitions and significant investment

In November 2013, Beijing Guochuan and Xilinhaote Guochuan entered into the project management contract for the construction of the production facilities in Xilinhaote City, the PRC with Dalian Shipbuilding. The tentative total project costs payable by the Principals is RMB458.85 million (equivalent to approximately HK$587.33 million). The actual project costs payable by the Principals is subject to adjustments including the adjustments for the increase in raw material and component costs and the amounts of the compensation fees, the inducement fees and the management fees. The actual project costs shall not exceed RMB560 million (equivalent to approximately HK$716.80 million). As the Group requires additional time to prepare for the related circular in connection with the project management contract, the effectiveness of the contract will be adjourned.

Save to the above, the Group had no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2013 and as at the date of this announcement it has no plan for material investments or capital assets.

Corporate governance

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rule (the "CG Code") throughout the period from 1 January 2013 to 31 December 2013, save as the deviation from code provision A.4.1 of the CG Code.

Under code provision A.4.1 of the CG Code, non-executive director should be appointed for a specific term, subject to re-election. Our independent non-executive directors are not appointed for a specific term. However, all Directors (including executive and non-executive) of the Company are subject to retirement by rotation at least once every three year at the annual general meeting. The Board believes that this retirement by rotation requirement serves the same purpose as that of code provision A.4.1.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code. The Company also adopted the policy on Board diversity pursuant to code provision A.5.6 of the CG Code as amended on 27 August 2013.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") as set out in the Appendix 10 to the Listing Rules as the code of conduct to regulate securities transactions by Directors of the Company. Having made specific enquiries of all Directors, all of them confirmed that they have strictly complied with the Model Code throughout the year ended 31 December 2013.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the year.

Events after the reporting period

(a) In January 2014, a loan agreement was entered into between Mr. Xu Bin, a director and a substantial shareholder (as creditor) and the Company (as borrower) for an unsecured loan of HK$4,000,000 at 5% interest per annum for the use by the Company as general working capital. The loan is repayable on 31 December 2015. On 10 January 2014, the loan had been received.

(b) In March 2014, the Group entered into agreements to dispose the investment properties of approximately HK$8,750,000 at a cash consideration of HK$8,828,000 of which deposit payment of approximately HK$4,550,000 had been received on 17 March 2014.

(c) In March 2014, a loan agreement was entered into between Mr. Xu Bin (as creditor) and Beijing Guochan (as borrower) for an unsecured and interest-free loan of RMB20,000,000 for use by Beijing Guochan as general working capital. The loan is repayable on 31 October 2015. On 27 March 2014, the loan had been fully received.

Annual general meeting

The 2013 annual general meeting of the Company ("AGM") will be held on Thursday, 19 June 2014 and the Notice of AGM will be published and despatched in accordance with the Listing Rules.

Closure of register of members

For the purpose of determining Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from 18 June, 2014 to 19 June, 2014, both days inclusive. During the aforementioned period, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 17 June, 2014 in order to qualify for attending and voting at the AGM.

Scope of work of RSM Nelson Wheeler

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

Publication of Final Results on the Websites of the Stock Exchange and the Company

This announcement will be published on the websites of Stock Exchange and the Company. The annual report for the year containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published in the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Xu Bin
Co-Chairman

28 March 2014, Hong Kong

At the date of this announcement, the Board comprises:

Executive Directors
Mr. Xu Bin
Mr. Mak Shiu Chung, Godfrey
Mr. Zhang Fu Sheng
Mr. Wang Hon Chen

Independent Non-Executive Directors
Mr. Kwok Chi Shing
Mr. Tsang Wai Sum
Mr. Huang Shao Ru