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 2014

FINANCIAL HIGHLIGHTS

1) Turnover for the year ended 31 December 2014 amounted to approximately HK$342,943,000, representing an increase of approximately 19.8% as compared to the turnover of approximately HK$286,149,000 last year.

2) Gross profit for the year ended 31 December 2014 amounted to approximately HK$106,332,000, representing an increase of approximately 137.0% as compared to the gross profit of approximately HK$44,862,000 last year. Overall gross profit margin was approximately 31.0% as compared to approximately 15.7% last year.

3) Loss attributable to owners of the Company for the year ended 31 December 2014 amounted to approximately HK$113,109,000 while the loss attributable to owners of the Company amounted to approximately HK$35,114,000 last year.

4) The Board does not recommend the payment of any final dividend for the year ended 31 December 2014.

* *For identification purposes only*

ANNUAL RESULTS

The board of directors (the "**Board**") presents the audited consolidated results of DeTeam Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 (the "**Year**") together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	5	**342,943**	286,149
Cost of sales		**(236,611)**	(241,287)
Gross profit		**106,332**	44,862
Other income	6	**7,065**	6,800
Selling and distribution expenses		**(21,966)**	(3,224)
Administrative expenses		**(78,585)**	(67,192)
Impairment loss on property, plant and equipment		**(16,193)**	–
Impairment loss on trade and other receivables		**(73,393)**	(11,048)
Other operating expenses		**(719)**	(777)
Loss from operations		**(77,459)**	(30,579)
Finance costs	8	**(11,866)**	(4,797)
Loss before tax		**(89,325)**	(35,376)
Income tax expense	9	**(20,649)**	(32,827)
Loss for the year	10	**(109,974)**	(68,203)
Attributable to:			
Owners of the Company		**(113,109)**	(35,114)
Non-controlling interests		**3,135**	(33,089)
		(109,974)	(68,203)
			(Restated)
Loss per share	12		
– Basic		**HK(40.98) cents**	HK(13.47) cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(109,974)**	(68,203)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(9,008)**	9,060
Other comprehensive income for the year, net of tax	**(9,008)**	9,060
Total comprehensive income for the year	**(118,982)**	(59,143)
Attributable to:		
Owners of the Company	**(120,738)**	(27,433)
Non-controlling interests	**1,756**	(31,710)
	(118,982)	(59,143)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**582,488**	641,806
Prepaid land lease payments		**2,708**	2,818
Investment properties		**–**	8,750
Intangible asset		**87,696**	93,930
Deferred tax assets		**23,708**	41,897
Goodwill		**2,907**	2,907
Deposits		**1,303**	4,379
		700,810	796,487
Current assets			
Inventories		**30,122**	45,964
Prepaid land lease payments		**71**	77
Trade and bill receivables	*13*	**55,073**	138,572
Deposits, prepayments and other receivables		**6,434**	11,442
Current tax assets		**933**	–
Restricted bank deposits		**7,938**	8,117
Bank and cash balances		**105,358**	16,852
		205,929	221,024

	Note	2014 HK$'000	2013 HK$'000
Current liabilities			
Trade payables	*14*	**6,501**	14,206
Accrued charges and other payables		**212,828**	219,304
Due to non-controlling shareholders	*15*	**21,827**	8,798
Due to a director	*16*	**6,611**	1,636
Other loans		**6,350**	–
Current tax liabilities		**–**	3,616
		254,117	247,560
Net current liabilities		**(48,188)**	(26,536)
Total assets less current liabilities		**652,622**	769,951
Non-current liabilities			
Other payables		**4,351**	39,636
Due to non-controlling shareholders	*15*	**3,518**	77,547
Due to a director	*16*	**25,193**	–
Other loans		**59,041**	85,136
Deferred tax liabilities		**12,064**	12,064
		104,167	214,383
NET ASSETS		**548,455**	555,568
Capital and reserves			
Share capital		**229,239**	114,619
Other reserves		**375,631**	390,170
Accumulated losses		**(146,002)**	(37,052)
Equity attributable to owners of the Company		**458,868**	467,737
Non-controlling interests		**89,587**	87,831
TOTAL EQUITY		**548,455**	555,568

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 Company 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 manufacture and sale of plastic woven bags, paper bags and plastic barrels, production and sale of coal and provision of low-rank coal upgrading services.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

These consolidated financial statements have been prepared on a going concern basis. As disclosed in the consolidated statement of financial position, as at 31 December 2014, the Group had net current liabilities of approximately HK$48,188,000 (2013: approximately HK$26,536,000). The current economic conditions continue to create uncertainty particularly over the coal market in the People's Republic of China (the "**PRC**"). The Group's forecast and projections, after taking into account the reasonable changes in market conditions, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors expect that the Group has sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when required for the next twelve months. Accordingly, the directors consider it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

In the current year, the Group has adopted all the new and revised 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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations.

(a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements because, based on the assessment of management, no assets nor assets allocated to cash-generating units have been stated at the recoverable amount that determined on the basis of their value in use as at the end of reporting period.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group begins to assess the potential impact of all new and revised HKFRSs that will be effective in future periods 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.

List of New and revised HKFRSs in issue that are not yet effective and relevant for the Group's operation

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of property, plant and equipment and goodwill

Determining whether the property, plant and equipment and goodwill are impaired requires an estimation of the recoverable amount of the cash-generating unit ("**CGU**") to which the property, plant and equipment and goodwill belong, by value-in-use and fair value less costs of disposal approaches. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate. Where the future cash flows are less than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment on the property, plant and equipment and goodwill may arise.

As at 31 December 2014, the carrying amount of the Group's property, plant and equipment and goodwill of approximately HK$118,590,000 and HK$2,907,000 respectively belonged to the coal upgrading CGU. The key assumptions that management made when performing the impairment assessment of this CGU at the end of the reporting period are as below:

(i) The Group will successfully obtain a bank loan of HK$150,000,000 within 2015 with a repayable period of more than 3 years to finance the construction of low-rank coal upgrading facilities in Xilinhaote City, Inner Mongolia, the PRC; and

(ii) The Group will commit to the terms within the Grant Contract for State-owned Land Use Right entered into between the Xilinhaote Municipal Land Resources Bureau and a subsidiary, Xilinhaote City Guochuan Energy Technology Development Co., Ltd., and will obtain the legal land use rights certificate in 2015.

5. TURNOVER

The Group's turnover represents revenue from the following:

	2014	2013
	HK$'000	*HK$'000*
Sales of bags and barrels	**97,126**	203,015
Sales of coal	**241,175**	56,297
Coal upgrading income	**4,642**	26,837
	342,943	286,149

6. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income	**192**	115
Gain on disposal of investment properties	**330**	–
Government grant *(note)*	**663**	800
Consultancy service income	**375**	750
Fair value adjustment upon initial recognition of financial liabilities	**5,436**	4,938
Rental income	**–**	75
Sundry income	**69**	122
	7,065	6,800

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

7. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Bags	–	Manufacture and sale of plastic woven bags, paper bags and plastic barrels;
Coal	–	Production and sale 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 profits 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.

	Bags	Coal	Coal upgrading	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014				
Revenue from external customers	**97,126**	**241,175**	**4,642**	**342,943**
Segment profit/(loss)	**(75,771)**	**21,774**	**(32,213)**	**(86,210)**
Interest revenue	**28**	**137**	**5**	**170**
Interest expense	**481**	**6,112**	**376**	**6,969**
Income tax expense	**2,784**	**17,529**	**6**	**20,319**
Depreciation and amortisation	**8,341**	**48,423**	**4,303**	**61,067**
Loss on disposals of property, plant and equipment	**352**	**251**	**–**	**603**
Gain on disposal of investment properties	**(330)**	**–**	**–**	**(330)**
Impairment loss on property, plant and equipment	**–**	**–**	**16,193**	**16,193**
Impairment loss on receivables				
– trade receivables	**72,883**	**–**	**–**	**72,883**
– other receivables	**–**	**510**	**–**	**510**
Capital expenditure	**1,643**	**8,816**	**15,003**	**25,462**
At 31 December 2014				
Segment assets	**272,292**	**569,241**	**132,941**	**974,474**
Segment liabilities	**20,873**	**386,929**	**122,800**	**530,602**
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
Impairment loss on 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

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

	2014	2013
	HK$'000	*HK$'000*
Turnover	**342,943**	286,149
Profit or loss		
Total loss of reportable segments	**(86,210)**	(47,766)
Unallocated corporate income	**5,833**	4,314
Unallocated corporate expenses	**(29,597)**	(24,751)
Consolidated loss for the year	**(109,974)**	(68,203)
Assets		
Total assets of reportable segments	**974,474**	1,161,458
Corporate assets	**88,604**	13,925
Deferred tax assets	**23,708**	41,897
Goodwill	**2,907**	2,907
Elimination of intersegment assets	**(182,954)**	(202,676)
Consolidated total assets	**906,739**	1,017,511
Liabilities		
Total liabilities of reportable segments	**530,602**	638,331
Corporate liabilities	**70,621**	61,018
Deferred tax liabilities	**12,064**	12,064
Elimination of intersegment liabilities	**(255,003)**	(249,470)
Consolidated total liabilities	**358,284**	461,943

Geographical information:

	Turnover		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**1,971**	2,969
The PRC except Hong Kong	**342,943**	286,149	**672,224**	748,714
Consolidated total	**342,943**	286,149	**674,195**	751,683

In presenting the geographical information, turnover 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.

Turnover from major customers:

	2014 *HK$'000*	2013 *HK$'000*
Bags segment		
Customer a	**97,126**	203,015
Coal upgrading segment		
Customer a	**4,642**	26,837

8. FINANCE COSTS

	2014 *HK$'000*	2013 *HK$'000*
Interest on other loans – wholly repayable within five years	**6,449**	373
Interest on loan from a related company	**–**	372
Interest on loan from a director	**324**	–
Interest on loan from a non-controlling shareholder	**3,793**	3,666
Imputed interest expenses	**4,245**	270
Bank charges	**480**	116
Total borrowing costs	**15,291**	4,797
Amount capitalised	**(3,425)**	–
	11,866	4,797

9. INCOME TAX EXPENSE

	2014 *HK$'000*	2013 *HK$'000*
Current tax – Overseas		
Provision for the year	**2,565**	12,816
Under-provision in prior year	**225**	337
	2,790	13,153
Deferred tax	**17,529**	19,674
PRC interest withholding tax	**330**	–
	20,649	32,827

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2014 as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: HK$Nil).

Taxes 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.

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

	2014	2013
	HK$'000	*HK$'000*
Loss before tax	**(89,325)**	(35,376)
Tax at the PRC enterprise income tax rate of 25% (2013: 25%)	**(22,331)**	(8,844)
Expenses not deductible for tax purposes	**4,865**	3,923
Tax effect of temporary differences not recognised	**27,508**	(1,060)
Tax effect of tax loss not recognised	**2,307**	33,121
Tax losses previously recognised and reversed	**6,041**	–
Effect of different tax rates	**1,704**	1,510
Deferred tax on undistributed earnings of the PRC subsidiaries	**–**	3,840
PRC interest withholding tax	**330**	–
Under-provision in prior year	**225**	337
Income tax expense	**20,649**	32,827

10. LOSS FOR THE YEAR

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

	2014	2013
	HK$'000	*HK$'000*
Auditor's remuneration	**972**	850
Allowance for inventories*	**7,777**	–
Amortisation of mining right	**4,755**	841
Cost of inventories sold	**236,611**	241,287
Depreciation of property, plant and equipment and investment properties	**57,319**	45,564
Impairment loss on trade and other receivables	**73,393**	11,048
Impairment loss on property, plant and equipment	**16,193**	–
Loss on disposal of property, plant and equipment	**603**	259
Operating lease rentals in respect of land and buildings	**3,583**	3,112
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$118,441,000 (2013 : approximately HK$77,075,000) which are included in the amounts disclosed separately.

* included in cost of inventories sold

11. DIVIDENDS

The directors do not recommend the payment of any final dividend (2013: HK$Nil) in respect of the year ended 31 December 2014.

12. 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$113,109,000 (2013: approximately HK$35,114,000) and the weighted average number of ordinary shares of 276,010,979 (2013 (restated): 260,669,176) 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 Share Consolidation (note a) and Open Offer (note b) during the year.

Notes:

(a) Pursuant to an ordinary resolution passed on 20 October 2014, every 5 ordinary shares of HK$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.50 each in the issued and unissued share capital of the Company (the "**Share Consolidation**").

(b) On 4 December 2014, 229,238,583 ordinary shares of HK$0.50 each were issued at par by way of an open offer on the basis of one offer shares for every one share held. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date (the "**Open Offer**").

Diluted loss per share

There were no potential ordinary shares in issue for the year ended 31 December 2014. The effect of all potential ordinary shares is anti-dilutive for the year ended 31 December 2013.

13. TRADE AND BILL RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**126,418**	116,734
Impairment loss on trade receivables	**(74,883)**	(2,000)
	51,535	114,734
Bill receivables	**3,538**	23,838
	55,073	138,572

The general credit terms of sales of bags and barrels, sales of coal and coal upgrading business are 30 days and payment in advance is required for certain customers.

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

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**18,571**	83,312
91 to 180 days	**5,182**	29,425
181 to 365 days	**27,459**	564
Over 365 days	**323**	1,433
	51,535	114,734

The carrying amounts of the Group's trade receivable are denominated in Renminbi ("**RMB**").

14. TRADE PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**1,135**	7,561
91 to 180 days	**1,514**	592
181 to 365 days	**1,730**	295
Over 365 days	**2,122**	5,758
	6,501	14,206

The carrying amounts of the Group's trade payables are wholly denominated in RMB.

15. DUE TO NON-CONTROLLING SHAREHOLDERS

The analysis of the carrying amount of the amounts due to non-controlling shareholders is as follows:

	2014	2013
	HK$'000	*HK$'000*
Current liabilities		
Advances *(note a)*	**5,583**	5,673
Other payables *(note b)*	**6,869**	3,125
Loans *(note c)*	**9,375**	–
	21,827	8,798
Non-current liabilities		
Loans *(note c)*	**3,518**	77,547
	25,345	86,345

Notes:

(a) The advances are unsecured, interest-free and repayable on demand.

(b) The other payables are unsecured, interest-free and repayable at normal business term.

(c) The loans from non-controlling shareholders are unsecured, interest bearing at Nil – 10.2% per annum and repayable from 2015 to 2017.

16. DUE TO A DIRECTOR

The analysis of the carrying amount of the amounts due to a director is as follows:

	2014	2013
	HK$'000	*HK$'000*
Current liabilities		
Other payables *(note a)*	**2,611**	1,636
Loan *(note b)*	**4,000**	–
	6,611	1,636
Non-current liabilities		
Loans *(note b)*	**25,193**	–
	31,804	1,636

Notes:

(a) The other payables included license fees payable approximately HK$2,583,000 (2013: approximately HK$1,583,000) are unsecured, interest-free and repayable on demand.

(b) The loans from a Director are unsecured, interest bearing at Nil – 5% per annum and repayable from 2015 to 2017.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual audited financial statements for the year. The report includes an emphasis of matter, without qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 4 to the annual results announcement relating to the key assumptions that the management had made when determining whether any impairment on the property, plant and equipment and goodwill respectively as at the end of reporting period should be made in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's business of manufacture and sale of plastic woven bags, paper bags and plastic barrels suffered from drastically reduced orders from major customers and contributed approximately 28.3% of the Group's total turnover this Year. The resumption of coal production operations resulted in a significant increase of this segment's turnover, which became the principal source of revenue and profit of the Group for the Year and contributed approximately 70.3% of the Group's total turnover. During the Year, approximately 1.75 million tonnes of coal was produced and approximately 1.66 million tonnes of coal was sold. However, the provision of low-rank coal upgrading services through our indirectly non-wholly owned subsidiary, Changchun Guochuan Energy and Technology Development Co., Ltd. ("**Changchun Guochuan**"), recorded a drop of approximately 82.7% in its turnover as a result of a decrease of service orders from one of the Group's major customers due to its reduction in production and the Group's plan to relocate the operations to Inner Mongolia, the PRC.

Production and sale of coal

The Group recorded a turnover from its coal production and sale business of approximately HK$241,175,000 for the Year, representing an increase of approximately HK$184,878,000 or a growth of approximately 328.4% as compared to a turnover of approximately HK$56,297,000 last year. The increase in turnover from coal production and sale business was due to the resumption of coal production operations and accordingly the increase in the sales volume. The sales volume of coal increased to approximately 1.66 million tonnes in 2014 from approximately 320,000 tonnes in 2013, principally as a result of the increase in coal output upon the resumption of production operations of the underground coal mine in February 2014. Coal trading operations of this segment remained at a minimal level due to unjustifiable profit margin during the Year.

This business segment resumed profitability and reported a gross profit margin of approximately 44.4% for the Year as opposed to a gross loss for last year. The improvement was attributable to the implementation of effective costs control measures in the mining operations and the increased production capacity, which reduced the unit production cost.

Manufacture and sale of plastic woven bags, paper bags and plastic barrels

The Group recorded a turnover of approximately HK$97,126,000 for its manufacturing and sale of plastic woven bags, paper bags and plastic barrels business segment during the Year. The amount represented a decrease of approximately HK$105,889,000 or a drop of approximately 52.2% as compared to a turnover of approximately HK$203,015,000 for the last year. The decline was mainly attributable to the reduction of orders from its major customers.

The gross profit margin of this segment decreased from approximately 24.4% last year to approximately 5.6% for the Year mainly attributed to (i) the increase in staff costs; (ii) the allowance for inventories; and (iii) the depreciation charges on property, plant and equipment.

Provision of low-rank coal upgrading services

The Group reported a turnover of approximately HK$4,642,000 for the provision of low-rank coal upgrading services business segment for the Year. The amount represented a decrease of approximately HK$22,195,000 or a drop of approximately 82.7% as compared to a turnover of approximately HK$26,837,000 last year. The decrease was mainly attributable to the decline in service orders from its customers.

This segment reported a gross loss for the Year due to the retreat in turnover.

Selling and distribution expenses

The selling and distribution expenses of the Group were approximately HK$21,966,000 for the Year, representing an increase of approximately HK$18,742,000 or approximately 581.3% as compared to approximately HK$3,224,000 last year. The increase was mainly due to the hike in logistics charges related to the coal production and sale business, generally in line with the growth in the turnover of the Group's coal production business.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK$78,585,000 for the Year, representing an increase of approximately HK$11,393,000 or approximately 17.0% as compared to approximately HK$67,192,000 last year. The surge in administrative expenses was mainly attributed to increases of depreciation charges by approximately HK$5,001,000, and staff costs by approximately HK$12,361,000, combining the effect of decrease in mine safety service fee by approximately HK$2,315,000, and in other miscellaneous expenses by approximately HK$3,654,000 during the Year.

Impairment of property, plant and equipment and trade and other receivables

Impairment loss for the trade and other receivables mainly represents (i) the impairment loss of the trade receivables amounting to approximately HK$72,883,000 associated with the manufacture and sale of plastic woven bags, paper bags and plastic barrels business segment due to management's opinion that the chance to recover those receivables would be relatively low, and (ii) the impairment loss of property, plant and equipment amounted to approximately HK$16,193,000 associated with the provision of low-rank coal upgrading services business segment due to the management's plan to relocate certain machineries and equipment from its upgrading coal plant in Dehui City, Jilin Province, the PRC (the "**Dehui Plant**") to Xilinhaote City, Inner Mongolia, the PRC (the "**Xilinhaote Plant**").

Finance costs

Finance costs of the Group were approximately HK$11,866,000 for the Year, representing an increase of approximately HK$7,069,000 or approximately 147.4% as compared to approximately HK$4,797,000 last year. The increase was mainly due to (i) the full-year interests borne by the Group for the loans utilised by the year end of 2013, and (ii) the increase in imputed interest expenses.

Loss for the Year

Net loss attributable to the owners of the Company increased to approximately HK$113,109,000 for the Year as compared to approximately HK$35,114,000 last year. As mentioned above, the loss for the Year was mainly attributed to (i) the combined effect of the increase in gross profit of the coal production and sale business, and the decrease in gross profit of the manufacture and sale of plastic woven bags, paper bags and plastic barrels business and the provision of low-rank coal upgrading services business; and (ii) the impairment losses of various assets of the Group.

Loan from a director

On 2 January 2014, the Company as the borrower, entered into a loan agreement with Mr. Xu Bin, presently the Chairman, an executive director and a substantial shareholder of the Company as the lender ("**Mr. Xu**"), for an unsecured loan of HK$4,000,000 at an interest rate of 5% per annum. This loan, which has been applied as general working capital of the Company, will be repayable on 31 December 2015.

On 24 March 2014, Beijing Guochuan New Energy Development Co., Ltd., ("**Beijing Guochuan**"), an indirect wholly-owned subsidiary of the Company, as the borrower, entered into a loan agreement with Mr. Xu as the lender, for an unsecured and interest-free loan of RMB20,000,000 (approximately HK$25,000,000) as general working capital. The repayment date of this loan had been extended to 31 October 2017.

On 5 May 2014, the Company as the borrower, entered into a loan agreement with Mr. Xu as the lender, for an unsecured loan of HK$1,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 30 June 2016.

On 7 May 2014, the Company as the borrower, entered into a loan agreement with Mr. Xu as the lender, for an unsecured loan of HK$3,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 31 March 2016.

On 8 May 2014, the Company as the borrower and Mr. Xu as the lender entered into a loan agreement pursuant to which Mr. Xu agreed to grant an unsecured and interest bearing loan up to 8 tranches with an aggregate principal amount of up to HK$200,000,000 to the Company during the availability period at an interest rate of 5% per annum.

Capital structure, liquidity and financial resources

As a result of the Share Consolidation and the issue of new shares by way of an Open Offer during the Year, the Company has a total issued share capital of HK$229,239,000 comprising 458,477,166 issued shares as at the date of this announcement. For details, please refer to (i) the Company's circular dated 30 September 2014 (the "**Circular**") regarding the Share Consolidation and (ii) the Company's prospectus and announcement dated 10 November 2014 and 3 December 2014, respectively, regarding the Open Offer.

As at 31 December 2014, the Group's aggregate amount of (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$113,296,000 (2013: approximately HK$24,969,000). The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

As at 31 December 2014, the Group's total borrowings represented by (i) loans from non-controlling shareholders; (ii) loans from a director; and (iii) other loans, totaled to approximately HK$122,540,000 (2013: approximately HK$173,117,000). As at the above date, the Group's total gearing ratio was approximately 22.3% (2013: approximately 31.2%). The gearing ratio was calculated as the Group's total borrowings divided by total equity. The current ratio of the Group for the Year was approximately 0.81 (2013: approximately 0.89).

Pledge of Assets

As at 31 December 2014, the Group had no pledge of assets (2013: Nil).

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 strategy has been adopted.

Contingent liabilities

As at 31 December 2014, the Group did not have any material contingent liabilities (2013: Nil).

Employee information

As at 31 December 2014, the Group had a total of 919 (2013: 1,046) full-time employees. The Group has entered into employment contracts with all of its employees. The remuneration package for its staff comprises monthly salary, provident fund contributions, medical claims, training programmes, housing allowances, discretionary bonus and discretionary options based on their contributions to the Group.

During the Year, the Group did not experience 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.

Prospects

Coal prices in China and around the globe are expected to stay at a modest level. Nevertheless, due to the massive urbanization and economic development in China, the demand for coal as the major fossil fuel for power and heat generation will remain strong in the foreseeable future.

In light of the Central Government's determination to rectify the country's severe environment pollution problems and to reduce the planet's adverse ecological impacts, tightening restrictions on carbon dioxide emission are expected to be imposed. These trends will boost the demand for cleaner and more efficient coal and other means of fuel.

Adopting to the interweaving opportunities and challenges within the coal industry, the Group is set to further develop its coal business in three streams: technology-based coal upgrading, coal production and coal trading.

In the past few years, the Group has accumulated practical and technical experience as well as valuable operational intelligence from the Dehui Plant. Since 2011, the Dehui Plant has been providing the customer with coal upgrading services for the customer's production plant nearby, which has in the meantime served strategically as our pilot plant to improvise the know-how application of our licensed coal upgrading technologies. With the progressive accumulation of practical and technical experience as well as valuable operational intelligence from the Dehui Plant, the Group has been implementing the construction plan of the Xilinhaote Plant noting significant progress.

As the Dehui Plant continued to provide its services to the customer in the Year, it was running at a relatively low utilization rate due to the customer's reduction in production because the customer had been suffering from geographical disadvantages resulting in higher logistics costs for transporting coal from a distance. Making a strategic move, the Group is planning to discontinue the operation of the Dehui Plant and relocate its machineries and equipment, as for the critical parts and components, to the Xilinhaote Plant.

The Xilinhaote Plant is designed to accommodate production facilities for a maximum capacity of two million tons per annum of upgraded coal output. In the first phase implementation which is tentatively scheduled to be completed by the end of 2015, it will build on a capacity of 500,000 tons per annum of upgraded coal output. The Group will further implement the later phases for the development of 1.5 million tons upgraded coal output capacity upon optimum utilization of the production facilities in the first phase.

Inner Mongolia is one of the richest low-rank coal reserves regions in China. Adjacency to such abundant supply of low-rank coal will enable the Xilinhaote Plant to contain purchase cost and the ancillary logistics costs. The territory's composite power policy has successfully raised power consumption from its industrial activities, thus creating stable coal demand from local power plants.

The coal upgrading technologies licensed to the Group have been proven to be highly effective in increasing calorific value and improving product specification. There will be a huge potential market for the low-rank coal upgraded by the Group as their consumption could effectively help to reduce pollutant emission and lower energy cost. Whilst the licensing agreement of the technologies will expire amidst 2015, our management considers that, for the long-term development of the low-rank coal upgrading business, it will be essential for the Group to consider appropriate ways to secure the proprietary rights of the technologies.

On the other hand, the Group's coal production and sale business is now based in Houlinguole City, Inner Mongolia, the PRC where the coal mine (the "**Inner Mongolia Coal Mine**") had in the Year been operated at optimum efficiency with an output exceeding its designed capacity of 1.2 million tons per annum. Following the excavation of the surface layer of coal, the Group will commence long-wall mining into the deeper layers, where the coal yields higher ranking. As the Inner Mongolia Coal Mine will deliver higher rank coal of higher commercial value and the Group will continue to enhance its production efficiency and control the production cost, the Group expects the performance of the coal production and sale business to be promising in the foreseeable future.

Leveraging the prospects and opportunities arising in Inner Mongolia, the Group will consider expediting the development of coal production and coal upgrading businesses via collaboration and cooperation with coal miners in the territory.

Furthermore, the Group is planning to set up an integrated coal trading platform to intensify its coal trading business in China. The Group intends to implement the business model on a light-asset principle, to effectively enlarge the scale of the trading platform by sourcing mine resources in different provinces, partnering with miners in different sets of operating package, and transacting with the end-users on a deal-to-deal basis. Such approach could enable the Group to utilize the best benefits and values of its expertise and resources in the coal market and industry and to optimize the uses of capital.

As to the manufacture and sale of plastic woven bags, paper bags and plastic barrels, the Group is prudent on the future of the business as its revenue is expected to be down going in the foreseeable period. The Group will continue to strengthen its operating efficiency through stringent controls over production cost and precise fine-tuning in the manufacturing processes to avoid further unfavourable impact to the Group's financial performance. While the Group is shifting its business focus towards the natural resources sector, the management will work on initiatives to realign the business and asset portfolio.

Step by step the Group has been realizing its vision to carve a vertically integrated portfolio of resources and technologies-related business and operations comprising mining, technologies development, production and processing, trading and ancillary services. The unfortunate modest coal prices in the market will rival the gross profit margin of the Group's coal production and sale business. However, it also offers an opportunistic and challenging time for the Group to secure coal resources supply for the development of the low-rank coal upgrading business. The healthy outlook of the Inner Mongolia Coal Mine, the upcoming revenue contribution from the Xilinhaote Plant, and the future growth anticipating from the trading platform together have paved a solid foundation for the Group to sustain its business expansion in the natural resource sector.

USE OF PROCEEDS

The net proceeds from the Open Offer were approximately HK$111,870,000, after deducting the underwriting fees and commission, and related total expenses paid by the Group. The Group has utilized, and will continue to utilize, the net proceeds from the Open Offer for the purposes in consistent with those set out in the section headed "Reasons for the Open Offer and Use of Proceeds" in the Circular.

MATERIAL ACQUISITIONS AND SIGNIFICANT INVESTMENT

In November 2013, Beijing Guochun and Xilinhaote City Guochuan Energy Technology Development Co., Ltd. (an indirect wholly-owned subsidiary of the Company) entered into a project management contract for the construction of the production facilities in Xilinhaote City, the PRC with Dalian Shipbuilding Industry Equipment Manufacturing Co., Ltd. (the "**Project Management Contract**"). On 31 December 2014, the latest date of fulfillment of the conditions precedent of the Project Management Contract had been expired and no extension for the latest date of fulfillment of the conditions precedent could be agreed between the parties to the Project Management Contract, and as such, the Project Management Contract has not become effective and has lapsed. None of the parties to the Project Management Contract will have any obligation or liability to any other parties under the Project Management Contract.

Save for the above, the Group had no material acquisition or disposal of subsidiaries and affiliated companies during the Year and as at the date of this announcement, there is no potential material investments or capital assets.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the Year, save for the deviation from code provision A.4.1 of the CG Code.

Code provision A4.1 of the CG Code

Non-executive director should be appointed for a specific term, subject to re-election. Our independent non-executive directors who held such offices as at 31 December 2014 are not appointed for a specific term. However, certain directors (including executive and non-executive) of the Company (the "**Directors**") are subject to retirement by rotation at least once every three years at the annual general meeting of the Company (the "**AGM**"). The newly appointed Directors (including executive and non-executive) appointed for a specific term are subject to re-election upon expiry of their term of service and to rotation at least once every three years at the AGM. 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 has also adopted a policy on Board diversity pursuant to code provision A.5.6 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct to regulate securities transactions by Directors of the Company. In response to the specific enquiries made by the Company of all Directors who held office as at 31 December 2014, all of them confirmed that they had strictly complied with the Model Code throughout the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, the Company did not redeem its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of the such shares.

ANNUAL GENERAL MEETING

The 2014 annual general meeting of the Company (the "**2014 AGM**") will be held on Monday, 15 June 2015 and the Notice of the 2014 AGM will be published and despatched to shareholders 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 2014 AGM, the register of members of the Company will closed from Friday, 12 June 2015 to Monday, 15 June 2015, both days inclusive. During the aforementioned period, no request for the transfer of shares will be accepted. All transfer documents accompanied by the relevant share certificates 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, Hong Kong, not later than 4:30 p.m. on Thursday, 11 June 2015 in order to qualify for attending and voting at the 2014 AGM.

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

An audit (the "**Audit Committee**") has been established for the purposes of reviewing the financial information of the Group and overseeing the financial reporting system and internal control procedures to ensure the integrity of the financial statements of the Group and the effectiveness of internal control and risk management system of the Group. The Audit Committee comprising all the Independent Non-executive Directors, namely Mr. Kwok Chi Shing (Chairman), Mr. Kwok Siu Man and Mr. Huang Shaoru, has reviewed the Group's consolidated financial statements for the Year and agreed to the accounting policies and practices adopted by the Group.

SCOPE OF WORK OF RSM NELSON WHEELER

The figures in respect of this announcement of the Group's results for the Year have been agreed by the Group's independent 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. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by RSM Nelson Wheeler on this results announcement.

PUBLICATION OF ANNUAL RESULTS

This results announcement will be published on the respective websites of the 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 on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
DeTeam Company Limited
Xu Bin
Chairman

Hong Kong, 31 March 2015

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Xu Bin (Chairman), Mr. Tse Kam Fow (Deputy Chairman), Mr. Zhang Fusheng (Chief Executive Officer), Mr. Wang Hon Chen and Mr. Ng Ying Kit; and three Independent Non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Kwok Siu Man and Mr. Huang Shao Ru.