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## **DETEAM COMPANY LIMITED**

**弘海有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code : 65)

## **HALF YEARLY ANNOUNCEMENT**

### **FOR THE SIX MONTHS ENDED 30 JUNE 2012**

The board (the “Board”) of directors (the “Directors”) of DeTeam Company Limited (the “Company”) is pleased to present the unaudited interim condensed consolidated financial statements (“Interim Accounts”) of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows. The Interim Accounts have not been reviewed by the Company’s auditors but they have been reviewed by the audit committee of the Company.

**\*For identification only**

### **HIGHLIGHTS FOR THE HALF YEARLY PERIOD**

- Turnover of the Group for the six months ended 30 June 2012 was approximately HK\$265,595,000 representing a decrease of 1% over the corresponding period in 2011.
- The Group recorded a loss attributable to equity holders of approximately HK\$7,854,000 for the six months ended 30 June 2012.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

## **RESULTS**

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2012, together with the unaudited comparative figures for the corresponding period in 2011 are as follows:

### **Condensed Consolidated Income Statement – unaudited**

		Six months ended 30 June	
		2012	2011
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	2	265,595	266,965
Cost of sales		(231,698)	(212,032)
<b>Gross profit</b>		33,897	54,933
Other income		894	96
Income from excess of fair value over cost of acquisition of a subsidiary	13	4,514	-
Equity-settled share option expenses		(14,892)	-
Selling and distribution expenses		(5,560)	(5,873)
Administrative expenses		(31,635)	(26,537)
<b>(Loss)/Profit from operations</b>		(12,782)	22,619
Finance costs	3	(3,549)	(4,381)
<b>(Loss)/Profit before tax</b>		(16,331)	18,238
Income tax expense	4	(3,526)	(7,009)
<b>(Loss)/Profit for the period</b>	5	(19,857)	11,229
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		(7,854)	10,306
Non-controlling interests		(12,003)	923
		(19,857)	11,229
<b>(Loss)/Earnings per share</b>	7		(restated)
-Basic		(1.07) cents	1.41 cents
-Diluted		N/A	N/A

## Condensed Consolidated Statement of Comprehensive Income - unaudited

	Six months ended 30 June	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(Loss)/Profit for the period</b>	(19,857)	11,229
<b>Other comprehensive income:</b>		
Exchange difference arising on translating foreign operations	(392)	(999)
<b>Total comprehensive income for the period</b>	<u>(20,249)</u>	<u>10,230</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	(8,246)	8,431
Non-controlling interests	(12,003)	1,799
	<u>(20,249)</u>	<u>10,230</u>

## Condensed Consolidated Statement of Financial Position

		As at 30 June 2012 <i>HK\$'000</i> (Unaudited)	As at 31 December 2011 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		568,346	520,979
Prepaid land lease payments		2,827	2,860
Intangible asset		92,230	93,183
Deferred tax assets		32,866	25,810
		696,269	642,832
<b>Current assets</b>			
Inventories		53,946	75,656
Prepaid land lease payments		84	84
Trade receivables	8	127,286	93,430
Deposits, prepayments and other receivables		136,527	58,181
Current tax assets		-	302
Pledged and restricted bank deposit		12,287	11,982
Bank note receivable		504	-
Bank and cash balances		29,479	37,064
		360,113	276,699
<b>Current Liabilities</b>			
Trade payables	9	59,071	7,282
Accrued charges and other payables		247,592	179,990
Advance from a non-controlling shareholder		7,768	10,331
Loan from a director	10	2,012	-
Borrowings	11	66,591	49,048
Current tax liabilities		18,814	5,202
		401,848	251,853
<b>Net current (liabilities)/assets</b>		(41,735)	24,846
<b>Total assets less current liabilities</b>		<b>654,534</b>	<b>667,678</b>

		<b>As at</b> <b>30 June 2012</b> <i>HK\$'000</i> (Unaudited)	<b>As at</b> <b>31 December 2011</b> <i>HK\$'000</i> (Audited)
<b>Non-current liabilities</b>			
Advance from a non-controlling shareholder		36,900	36,900
Borrowings	11	-	13,162
Deferred tax liabilities		10,709	9,321
		<u>47,609</u>	<u>59,383</u>
<b>NET ASSETS</b>		<b><u>606,925</u></b>	<b><u>608,295</u></b>
<b>Capital and reserves</b>			
Share capital	12	73,190	73,190
Other reserves		363,052	341,813
Retained profits		21,216	34,345
Proposed final dividend		3,659	3,659
Equity attributable to owners of the Company		<u>461,117</u>	<u>453,007</u>
Non-controlling interests		145,808	155,288
<b>TOTAL EQUITY</b>		<b><u>606,925</u></b>	<b><u>608,295</u></b>

## Condensed Consolidated Statement of Changes in Equity-unaudited

Movements in the share capital and reserves of the Group were as follows:-

	Share capital	Share premium	Capital reserve	Share-base payment reserve	Warrant reserve	Foreign currency translation reserve	Future development fund	Safety fund	Retained profit	Proposed dividend	Attributable to owners of the company	Non controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	73,190	276,404	(1,628)	—	—	52,138	11,795	3,104	34,345	3,659	453,007	155,288	608,295
Share options granted	—	—	—	14,892	—	—	—	—	—	—	14,892	—	14,892
Unlisted warrant granted	—	—	—	—	1,464	—	—	—	—	—	1,464	—	1,464
Appropriations	—	—	—	—	—	—	4,176	1,099	(5,275)	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	(392)	—	—	(7,854)	—	(8,246)	(12,003)	(20,249)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	2,523	2,523
At 30 June 2012	73,190	276,404	(1,628)	14,892	1,464	51,746	15,971	4,203	21,216	3,659	461,117	145,808	606,925

	Share capital	Share premium	Capital reserve	Foreign currency translation reserve	Retained profit	Proposed dividend	Attributable to owners of the Company	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	60,991	288,603	(1,628)	33,644	55,195	3,659	440,464	168,664	609,128
Total comprehensive income for the period	—	—	—	(1,875)	10,306	—	8,431	1,799	10,230
Capital contribution from a Non-Controlling shareholders	—	—	—	—	—	—	—	151	151
Final dividend	—	—	—	—	—	(3,659)	(3,659)	—	(3,659)
At 30 June 2011	60,991	288,603	(1,628)	31,769	65,501	—	445,236	170,614	615,850

***Condensed Consolidated Cash Flow Statement – unaudited***

**Six months ended**

**30 June**

**2012**

**2011**

*HK\$'000*

*HK\$'000*

Net cash inflow/(outflow) from operating activities	35,938	(23,303)
Net cash inflow/(outflow) from investing activities	(33,513)	(19,546)
Net cash inflow/(outflow) before financing activities	2,425	(42,849)
Net cash (outflow)/inflow from financing activities	(13,133)	14,492
Increase/(Decrease) in cash and cash equivalents	(10,708)	(28,357)
Cash and cash equivalents at 1 January	33,217	57,234
Cash and cash equivalents at 30 June	22,509	28,877
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	29,479	31,919
Bank overdraft	(6,970)	(3,042)
	22,509	28,877



## 1. Basis of preparation and accounting policies

The condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of Chapter 16 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2012 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2011.

The Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that have been issued and effective for the accounting periods beginning on or after 1 January 2012. The adoption of HKFRSs did not have material effect on those results. 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.

## 2. Segment information

The Group has divided into two operating segments, namely plastic woven bags and coal trading. These segments are managed separately as each business offers different products and services.

<b>For the period ended 30 June 2012</b>	<b>Bags</b>	<b>Coal</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
<b>REVENUE</b>	128,393	137,202	265,595
<b>Segment profit/(loss)</b>	32,718	(30,007)	2,711
Unallocated corporate income			4,514
Unallocated corporate expense			(23,510)
Operation loss excluding interest income/expenses			(16,285)
Interest income			6
Interest expenses			(52)
Loss before taxation			(16,331)
 As 30 June 2012 (unaudited)			
Segment Assets	219,302	749,059	968,361

<b>For the period ended 30 June 2011</b>	<b>Bags</b>	<b>Coal</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
<b>REVENUE</b>	145,248	121,717	266,965
<b>Segment profit</b>	18,806	3,472	22,278
Unallocated corporate expense			(3,785)
Operation profit excluding interest income/expenses			18,493
Interest income			5
Interest expenses			(260)
Profit before taxation			18,238
At 31 December 2011 (audited)			
Segment Assets	292,812	719,193	1,012,005

### 3. Finance costs

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	<b>2011</b>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank loans and overdraft	826	1,414
Interest on other loan	102	390
Interest on loan from a related company	471	471
Interest on loan from a non-controlling shareholder	2,058	1,898
Interest on loan from a director	12	-
Bank charges	80	208
	<u>3,549</u>	<u>4,381</u>

### 4 Income tax expense

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the six months ended 30 June 2012.

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 in respect thereof.

## 5. (Loss)/Profit for the period

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

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	(unaudited)	(unaudited)
Cost of inventories sold	231,698	212,032
Depreciation of property, plant and equipment	16,850	13,457
Directors' emoluments	2,022	2,016
Operating lease rentals in respect of land and buildings	388	388

## 6. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011:Nil).

## 7. (Loss)/Earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the six months ended 30 June 2012 attributable to owners of the Company of HK\$7,854,000 (Profit attributable to the owners for the corresponding period in 2011: HK\$10,306,000) and the weighted average number of ordinary shares of 731,897,856 (2011 (restated): 731,897,856) in issue during the period.

The weight 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 14 October 2011.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2012.

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the period ended 30 June 2011.

## 8. Trade receivables

As at 30 June 2012, the aging analysis of trade receivables were as follows:

	<b>30 June 2012</b> HK\$'000 (unaudited)	<b>31 December 2011</b> HK\$'000 (audited)
Current to 90 days	118,695	69,432
91 to 180 days	4,459	16,818
181 to 365 days	4,132	3,237
Over 365 days	-	3,943
	<u>127,286</u>	<u>93,430</u>

The general credit terms of sales of bags and barrels are 30 days and sales of coal are 60 days.

## 9. Trade payables

As at 30 June 2012, the aging analysis of trade payables were as follows:

	<b>30 June 2012</b> HK\$'000 (unaudited)	<b>31 December 2011</b> HK\$'000 (audited)
Current to 90 days	58,515	6,890
91 to 180 days	-	380
181 to 365 days	435	-
Over 365 days	121	12
	<u>59,071</u>	<u>7,282</u>

## 10. Loan from a director

The loan is unsecured, interest bearing at 5% per annum and repayable on 31 December 2012.

## 11. Borrowings

The analysis of the carrying amount of the Groups borrowings is as follows:

	<b>30 June 2012</b> HK\$'000 (unaudited)	<b>31 December 2011</b> HK\$'000 (audited)
<b>Current liabilities</b>		
Bank overdrafts	6,970	3,847
Portion of bank loans due for repayment within one year	20,193	33,899
Other Loans	25,795	11,302
Loan from a related company	13,633	-
	<u>66,591</u>	<u>49,048</u>
<b>Non-current liabilities</b>		
Loan from a related company	-	13,162
	<u>66,591</u>	<u>62,210</u>

Loan from a related company is unsecured, interest bearing at 6% per annum and repayable on 31 March 2013. The Company is related to the extent that Mr. Zhang Chao Liang, executive director of the Company, has control over the related company.

## 12. Share capital

	<b>Authorised</b>	
	<b>Ordinary shares of HK\$ 0.10 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
As at 31 December 2011 and 30 June 2012	<u>10,000,000,000</u>	<u>1,000,000</u>
	<b>Issued and fully paid</b>	
	<b>Ordinary shares of HK\$ 0.10 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
As at 31 December 2011 and 30 June 2012	<u>731,897,856</u>	<u>73,190</u>

## 13. Acquisition of a subsidiary

On 18 May 2012, the Group acquired 100% of the issued share capital of Pak Yip Holdings Investment Limited for a cash consideration of HK\$300,000.

The fair value of the identifiable assets and liabilities of Pak Yip Holdings Investment Limited acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

<b>Net assets acquired:</b>	<b>HK\$'000</b>
	(unaudited)
Property, plant and equipment	22,001
Prepayments, deposits and other receivables	15,795
Bank note receivable	62
Bank and cash balance	700
Trade and other payables	(29,063)
Current tax liabilities	(2,158)
Non-controlling interests	<u>(2,523)</u>
	4,814
Income from excess of fair value over cost of acquisition of a subsidiary	<u>(4,514)</u>
Satisfied by :	
Cash	<u>300</u>
Net cash inflow arising on acquisition:	
Cash consideration paid	(300)
Cash and cash equivalents acquired	<u>700</u>
	<u>400</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is principally engaged in production and sales of plastic woven bags and barrels, sales of coal and low-rank coal upgrading business in the PRC.

## **FINANCIAL REVIEW AND BUSINESS REVIEW**

The Group recorded a turnover of approximately HK\$265,595,000 for the six months ended 30 June 2012, representing a decrease of approximately 1% as compared with the corresponding period in 2011, and a net loss attributable to owners of the Company of approximately HK\$7,854,000 for the six months ended 30 June, 2012, as compared with a net profit attributable to owners of the Company of approximately HK\$10,306,000 for the six months ended 30 June 2011.

As a result of an increase in the selling price of the woven bags, Changchun Yicheng recorded a segment profit of approximately HK\$32,718,000 for the six months ended 30 June, 2012 as compared with a segment profit of approximately HK\$18,806,000 for the same period last year. On the other hand the decline in the selling price of coal in comparison with that of the same period last year, the result of coal business as reflected in the segmental information incurred a loss of approximately HK\$30 million.

During the period, excavation of section 8102 of the eighth layer of the Jingyuanli underground coal mine ("Jingyuanli") had been finished. Excavation machinery and equipment was moved to section 8103 and section 1001 of the tenth layer simultaneously. Reserves of around 0.71 million tonnes of coal would be available for excavation in section 8103. Application for the full mining licence was still under approval-in-process.

De Feng commenced sourcing coal from independent coal supplier and during the period De Feng had applied for a short term bank loan of RMB15,000,000 secured by De Feng's account receivables as working capital for coal purchasing purpose.

In January 2012, the Company had granted share options to certain independent third party contractors of the Company pursuant to the share option scheme adopted on 20 August 2009. The Options would enable the Grantees to subscribe for an aggregate of 73,000,000 new shares of HK\$0.81 per share. As a result of the share options granted, the recognition of share-based payment expenses of HK\$14,892,000 was recorded in the income statement.

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 will enable to subscribe each share at HK\$0.834. The net proceeds from the Warrant Placing will be used as general working capital of the Group.

In May 2012, an indirect wholly owned subsidiary of the Company entered into an agreement with Mr. Mak Shiu Chung, Godfrey ("Mr. Mak") for a consideration of HK\$300,000 in relation to the acquisition of the entire issued share capital of Pak Yip Holdings Investment Limited ("Pak Yip") which in turn owned a group of Hong Kong and PRC companies engaged in low-rank coal upgrading business. Pak Yip was wholly-owned by Mr. Mak, an executive director and a substantial shareholder of the Company.

In May 2012, Mr. Xu Bin ("Mr. Xu") and the Company entered into the Call Option Agreement at HK\$1, pursuant to which Mr. Xu agreed to grant the Call Option to the Company and/or its nominee to acquire the Technology and intellectual property arising out of the Technology for a period from 18 February 2013 to 17 August 2014. At the same time, Mr. Xu and Beijing Guochuan Energy New Energy Development Co., Ltd ("Beijing Guochuan") entered into the Licensing Agreement, pursuant to which Mr. Xu agreed to grant Beijing Guochuan and its affiliates the right to use the Technology and to enter into a sub-licensing agreement with third party for three years from 18 May 2012 at RMB800,000 per annum. Mr. Xu is an executive director and a substantial shareholder of the Company.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2012 the Group's gearing ratio was 0.11 which is based on the division of total borrowing by total equity and the Group's liquidity ratio was 0.9.

The Group's sales and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. Since the exchange rate fluctuation between Hong Kong dollars and Renminbi has not been material, foreign exchange risk is very low and no hedging has been undertaken.

As at 30 June 2012, the Group did not have any material contingent liability and capital commitments (31 December 2011: HK\$1,102,000)

## CONNECTED AND RELATED PARTY TRANSACTIONS

Apart from the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the period:

	2012	2011
	HK\$'000	HK\$'000
Loan interest paid to a related company	471	471
Loan interest paid to an executive director	12	-

- a) On 16 May 2012, a loan agreement was entered into between Mr. Mak as the creditor and DeTeam Company Limited as the borrower for an unsecured loan of HK\$2,000,000 at an interest rate of 5% per annum for the use by the Company as general working capital. The loan is repayable on 31 December 2012.
- b) On 18 May 2012, an indirect wholly owned subsidiary of the Company entered into an agreement with Mr. Mak Shiu Chung, Godfrey (“Mr. Mak”) for a consideration of HK\$300,000 in relation to the acquisition of the entire issued share capital of Pak Yip Holdings Investment Limited (“Pak Yip”) which in turn owned a group of Hong Kong and PRC companies engaged in low-rank coal upgrading business. Pak Yip was wholly-owned by Mr. Mak, an executive Director and a substantial shareholder of the Company.
- c) On 18 May 2012, Mr. Xu and the Company entered into the Call Option Agreement at HK\$1, pursuant to which Mr. Xu agreed to grant the Call Option to the Company and/or its nominee to acquire the Technology and intellectual property arising out of the Technology for a period from 18 February 2013 to 17 August 2014. Mr. Xu is an executive Director and a substantial shareholder of the Company.
- d) On 18 May 2012, Mr. Xu and Beijing Guochuan entered into the Licensing Agreement, pursuant to which Mr. Xu agreed to grant Beijing Guochuan and its affiliates the right to use the Technology and to enter into a sub-licensing agreement with third party for three years from 18 May 2012 at RMB800,000 per annum. Mr. Xu is an executive Director and a substantial shareholder of the Company.

## EVENTS AFTER THE REPORTING PERIOD

On 11 July 2012, Beijing Guochuan, an indirect wholly-owned subsidiary of the Company entered into the Framework Cooperation Agreement with China Railway Resources Investment Ltd (“China Railway Resources”), pursuant to which Beijing Guochuan and China Railway Resources agreed to co-operate in the establishment of a production facility for upgrading low-rank coal with an annual capacity of not less than 2,000,000 tonnes of upgraded coal.

On 18 July 2012, Beijing Guochuan, an indirect wholly-owned subsidiary of the Company entered into the Investment Agreement with Xilinhaote City Government, pursuant to which Beijing



Guochuan and the People's Government of Xilinhaote Municipality agreed to co-operate in the construction and operation of production facilities for the upgrading of low-rank coal.

## **GRANT OF SHARE OPTIONS**

On 9 January 2012, the Board resolved to grant share options to contractors under the share option scheme adopted by the Company on 20 August 2009 to subscribe for 73,000,000 Shares.

For further details of the grant of the share options, please refer to the announcement of the Company on 9 January 2012.

Above-mentioned new batch of share options granted in January 2012 recorded HK\$14,892,000 non-cash accounting charges for the six months ended 30 June, 2012.

## **EMPLOYEES**

The Group employed 1,183 full time employees as at 30 June 2012. Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programs and housing allowances.

## **CAPITAL STRUCTURE AND MATERIAL ACQUISITION**

During the six months ended 30 June 2012, the short term bank loan of RMB15,000,000 is secured by Defeng's account receivables. The bank overdraft of approximately HK\$6,970,000 is secured by fixed deposit of HK\$7,000,000 of DeTeam Company Limited and HK\$1,743,000 is secured by the guarantees issued by the Company and the Government of Hong Kong Special Administrative Region. Save as disclosed, the Group did not have any charges on its assets, and there were no changes in the Company's authorized share capital.

## **PROSPECTS**

As the engine of earnings to the Group, Changchun Yicheng will continue to exercise stringent control in the manufacturing process and manpower to save costs thus increasing profits. At the same time, Changchun Yicheng will continue to seek more business opportunity in order to increase profit contribution to the Group.

As a result of slow growth in the PRC economy and increasing import of coal from overseas, coal price has been dropped by over 20% during the first half of 2012. As winter is approaching, we expect coal price will become stable and demand will be picking up for the second half of 2012. In addition, the tenth layer coal seam of Jingyuanli underground coal mine will be excavated in the second half of 2012 which will provide a better quality of coal and high pricing than the eighth seam, increasing contribution from Jingyuanli is expected.

The acquisition of upgrading coal business in May 2012 will be a focus in the future of the Group. It currently operates a low-rank coal upgrading plant in Changchun with an annual capacity of 500,000 tonnes of upgraded-coal. The coal upgrading plant commences production in July 2012. At the same

time, the Group has commenced ground-breaking and building work in Xilinhaote in relation to our cooperation with the People's government of Xilinhaote Municipality.

Due to great demand of high quality coal in the PRC, the group expects the coal upgrading business to have boundless prospect and positive contribution to the group in the years to come.

## **COMPETING INTEREST**

None of the Directors or the management shareholders (as defined in Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

## **AUDIT COMMITTEE**

The audit committee, which comprises three members, Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Yu Yang, all of them are independent non-executive directors, the primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the group. The audit committee has reviewed the Group's unaudited Interim Accounts for the six months ended 30 June 2012.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period under review.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct governing the directors' dealings in the Company's securities. Having made specific enquiries with all the Directors, they all confirmed that they have complied with the required standards set out in the Model Code throughout the period under review.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the six months ended 30 June 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at <http://www.irasia.com/listco/hk/deteam/index.htm>. The 2012 Interim Report will be available on both websites and dispatched to Shareholders in due course.

By order of the Board  
**Mak Shiu Chung, Godfrey**  
Co-Chairman

Hong Kong, 31 August 2012

As at the date of this announcement, the Board comprises Executive Directors, being Mr. Mak Shiu Chung, Godfrey, Mr. Xu Bin, Mr. Zhang Chao Liang, Mr. Wang Hon Chen and Independent Non-Executive Directors Mr. Kwok Chi Shing, Mr. Tsang Wai Sum, Mr. Yu Yang.