DeTeam Company Limited
弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8112)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

* *For identification purpose only*

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2008 was approximately HK$364 million, representing an increase of approximately 84 per cent. as compared with that of the year ended 31 December 2007.

- The Group recorded a profit attributable to shareholders of approximately HK$51 million for the year ended 31 December 2008, compared with a profit of approximately HK$36 million for the year ended 31 December 2007.

- The Directors recommend the declaration of a final dividend of HK3.8 cents per share for the year ended 31 December 2008 and recommend the issue of bonus shares on the basis of one bonus share for every five existing shares being held.

ANNUAL RESULTS

The board of Directors (the "Board") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2008 together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations			
Turnover	5	**364,150**	198,244
Cost of sales		**(272,438)**	(157,195)
Gross profit		**91,712**	41,049
Other income	6	**4,827**	4,115
Income from excess of fair value over cost of acquisition of a subsidiary		**414**	–
Selling and distribution expenses		**(6,490)**	–
Administrative expenses		**(21,935)**	(12,108)
Other operating expenses		**(242)**	(1,742)
Profit from operations		**68,286**	31,314
Finance costs	8	**(344)**	(579)
Profit before tax		**67,942**	30,735
Income tax (expense)/credit	9	**(14,109)**	1,381
Profit for the year from continuing operations		**53,833**	32,116
Discontinued operation			
Profit for the year from discontinued operation	10	**–**	3,141
Profit for the year	11	**53,833**	35,257
Attributable to:			
Equity holders of the Company		**50,956**	36,073
Minority interests		**2,877**	(816)
		53,833	35,257
Earnings per share			
From continuing and discontinued operations			
– Basic	13(a)	**12.03 cents**	10.04 cents
– Diluted	13(a)	**N/A**	N/A
From continuing operations			
– Basic	13(b)	**12.03 cents**	9.16 cents
– Diluted	13(b)	**N/A**	N/A

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**159,318**	89,796
Prepaid land lease payments		**2,802**	358
Intangible asset		**76,365**	24,873
Investment in an associate		**–**	–
		238,485	115,027
Current assets			
Inventories		**42,222**	24,475
Prepaid land lease payments		**76**	123
Trade receivables	14	**82,140**	9,369
Deposits, prepayments and other receivables		**25,687**	23,802
Restricted bank deposit		**4,546**	–
Bank and cash balances		**142,241**	201,517
		296,912	259,286
Current liabilities			
Trade payables	15	**13,293**	4,506
Accrued charges and other payables		**17,537**	8,771
Bank loan		**7,947**	–
Current tax liabilities		**5,775**	–
		44,552	13,277
Net current assets		**252,360**	246,009
Total assets less current liabilities		**490,845**	361,036
Non-current liabilities			
Deferred tax liabilities		**2,863**	–
NET ASSETS		**487,982**	361,036
Capital and reserves			
Share capital		**42,355**	42,355
Other reserves		**321,671**	311,681
Retained profits/(accumulated losses)		**17,845**	(17,016)
Proposed final dividend		**16,095**	–
Equity attributable to equity holders of the Company		**397,966**	337,020
Minority interests		**90,016**	24,016
TOTAL EQUITY		**487,982**	361,036

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company						
	Share capital	Other reserves	Retained profits/ (accumulated losses)	Proposed final dividend	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2007	29,606	44,654	(53,089)	–	21,171	–	21,171
Currency translation differences	–	5,483	–	–	5,483	637	6,120
Share issue expenses	–	(8,230)	–	–	(8,230)	–	(8,230)
Net expense recognised directly in equity	–	(2,747)	–	–	(2,747)	637	(2,110)
Profit/(loss) for the year	–	–	36,073	–	36,073	(816)	35,257
Total recognised income and expense for the year	–	(2,747)	36,073	–	33,326	(179)	33,147
Issue of shares	12,749	269,552	–	–	282,301	–	282,301
Disposals of subsidiaries	–	222	–	–	222	–	222
Capital contribution from a minority shareholder	–	–	–	–	–	24,195	24,195
Balance at 31 December 2007	42,355	311,681	(17,016)	–	337,020	24,016	361,036
Balance at 1 January 2008	42,355	311,681	(17,016)	–	337,020	24,016	361,036
Currency translation differences	–	9,990	–	–	9,990	2,394	12,384
Profit for the year	–	–	50,956	–	50,956	2,877	53,833
Total recognised income and expense for the year	–	9,990	50,956	–	60,946	5,271	66,217
Business combination	–	–	–	–	–	3,248	3,248
Capital contribution from a minority shareholder	–	–	–	–	–	57,481	57,481
2008 proposed final dividend	–	–	(16,095)	16,095	–	–	–
Balance at 31 December 2008	42,355	321,671	17,845	16,095	397,966	90,016	487,982

Notes:

1. **General**

   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 Growth Enterprise Market 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 and sale of coal.

2. **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 (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

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

3. **Basis of preparation**

   These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of 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. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 4 to the financial statements.

4. Critical judgements and key estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(a) Legal titles of certain buildings

The legal titles of the newly constructed buildings were not yet obtained as at 31 December 2008. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those buildings as property, plant and equipment, on the grounds that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of intangible asset not yet available for use

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating unit to which the intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of intangible asset at the balance sheet date was HK$76,365,000.

5. Turnover

The Group's turnover which represents sales of bags and barrels to customers, sales of coal and revenue from transportation technology solution contracts are as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of bags and barrels	**304,015**	195,476
Sales of coal	**60,135**	2,768
Revenue from transportation technology solution contracts	**–**	903
	364,150	199,147
Representing:		
Continuing operations	**364,150**	198,244
Discontinued operation *(Note 10)*	**–**	903
	364,150	199,147

6. Other income

	2008	2007
	HK$'000	*HK$'000*
Interest income	**3,427**	4,117
Reversal of impairment on loan receivable from an associate	**1,400**	–
Reversal of provision for warranty	**–**	547
Waiver of amount due to a director	**–**	94
Sundry income	**–**	2
	4,827	4,760
Representing:		
Continuing operations	**4,827**	4,115
Discontinued operation *(Note 10)*	**–**	645
	4,827	4,760

7. Segment information

(a) Primary reporting format – business segments

The Group is organised into three main business segments:

Bags	–	Manufacturing and sale of plastic woven bags, paper bags and plastic barrels;
Coal	–	Trading and distribution of coal; and
Transportation technology solutions	–	Provision of transportation technology solutions

(b) Secondary reporting format – geographical segments

No geographical segment information is presented as the Group's revenue and assets are substantially derived from customers and operations based in the People's Republic of China (the "PRC") and accordingly, no further analysis of the Group's geographical segments is disclosed.

Primary reporting format – business segments

	Continuing operations			Discontinued operation	
	Bags	Coal	Sub-total	Transportation technology solutions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008					
Revenue	304,015	60,135	364,150	–	364,150
Segment results	60,358	11,228	71,586	–	71,586
Other income			5,241	–	5,241
Unallocated expenses			(8,541)	–	(8,541)
Profit from operations			68,286	–	68,286
Finance costs			(344)	–	(344)
Profit before tax			67,942	–	67,942
At 31 December 2008					
Segment assets	171,147	191,708	362,855	–	362,855
Unallocated assets					172,542
Total assets					535,397
Segment liabilities	2,990	10,303	13,293	–	13,293
Unallocated liabilities					34,122
Total liabilities					47,415
Other segment information:					
Capital expenditure	14,052	104,369	118,421	–	118,421
Unallocated amounts					–
					118,421
Depreciation	4,968	485	5,453	–	5,453
Unallocated amounts					121
					5,574
Amortisation of prepaid land lease payments	12	–	12	–	12
Loss on disposals of property, plant and equipment	40	46	86	–	86
Write off of property, plant and equipment	156	–	156	–	156

	Continuing operations			Discontinued operation	
	Bags	Coal	Sub-total	Transportation technology solutions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2007					
Revenue	195,476	2,768	198,244	903	199,147
Segment results	33,700	(1,006)	32,694	(490)	32,204
Other income			4,115	645	4,760
Unallocated expenses			(5,495)	(1,825)	(7,320)
Profit/(loss) from operations			31,314	(1,670)	29,644
Finance costs			(579)	–	(579)
Profit/(loss) before tax			30,735	(1,670)	29,065
At 31 December 2007					
Segment assets	111,928	36,877	148,805	–	148,805
Unallocated assets					225,508
Total assets					374,313
Segment liabilities	4,506	–	4,506	–	4,506
Unallocated liabilities					8,771
Total liabilities					13,277
Other segment information:					
Capital expenditure	53,648	35,768	89,416	31	89,447
Unallocated amounts					250
					89,697
Depreciation	4,115	32	4,147	71	4,218
Unallocated amounts					60
					4,278
Amortisation of prepaid land lease payments	118	–	118	–	118
Loss on disposals of property, plant and equipment	25	–	25	–	25
Write off of property, plant and equipment	1,717	–	1,717	–	1,717

8. Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loan	**344**	416
Interest on other loan wholly repayable within 5 years	**–**	163
	344	579
Representing:		
Continuing operations	**344**	579

9. Income tax expense/(credit)

	2008	2007
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the year	**11,246**	–
Overprovision in prior year	**–**	(1,381)
	11,246	(1,381)
Deferred tax	**2,863**	–
	14,109	(1,381)
Representing:		
Continuing operations	**14,109**	(1,381)

(a) No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year ended 31 December 2008 (2007: HK$Nil).

The subsidiary, Changchun Yicheng Packaging Company Limited ("Changchun Yicheng"), operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise (中華人民共和國外商投資企業和外國企業所得稅法) (the "PRC Income Tax Law"). Changchun Yicheng is located in Hexin Town of High-New Development Zone, Changchun (長春市高新技術開發區合心高科技園). Pursuant to a notice issued by Changchun Green District State Tax Bureau (長春綠園國家稅務局), Changchun Yicheng is exempted from enterprise income tax from 1 May 2006 to 31 December 2007, followed by a 50% reduction for the next three years.

The subsidiary, Inner Mongolia Jinyuanli Underground Mining Company Limited ("Inner Mongolia Jinyuanli"), operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with the PRC Income Tax Law. No provision for enterprise income tax has been made as it has no assessable profit for the year.

The subsidiary, Jilin Province De Feng Commodity Economics and Trade Co., Limited ("Jilin De Feng") operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with the PRC Income Tax Law.

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

	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) before tax		
Continuing operations	**67,942**	30,735
Discontinued operation *(Note 10)*	**–**	(1,670)
	67,942	29,065
Tax at the PRC enterprise income tax rate of 25% (2007: 33%)	**16,986**	9,591
Expenses not deductive for tax purposes	**1,458**	1,114
Income tax exempted	**(7,503)**	(10,835)
Income not taxable	**(1,341)**	(967)
Tax effect of temporary differences not recognised	**1,533**	966
Overprovision in prior years	**–**	(1,381)
Effect of different tax rates	**113**	131
Deferred tax on undistributed earnings of the PRC subsidiaries	**2,863**	–
Income tax expense/(credit)	**14,109**	(1,381)

The Group taxable profits originate principally from the PRC and therefore the PRC enterprise income tax rate is used in presenting the reconciliation.

10. Discontinued operation

Pursuant to an agreement dated 30 November 2007 entered into between the Company and an independent third party (the "Purchaser"), the Company disposed of the entire issued capital of Angels Intelligent Transportation Systems Company Limited ("AIT").

AIT held 100% interest in Angels Engineering Technology Limited ("AET"), a limited company incorporated in Hong Kong, and 100% interest in Beijing Angels Communications Technology Co., Ltd. ("Beijing Angels"), a wholly-foreign owned enterprise in the PRC. AET was dormant and Beijing Angels was engaged in the provision of transportation technology solutions during the year. The disposal was completed on 30 November 2007 and the Group discontinued its transportation technology solutions business.

The profit for the year from the discontinued operation is analysed as follows:

	2007 *HK$'000*
Loss of discontinued operation	(1,670)
Gain on disposal of discontinued operation	4,811
	3,141

The results of the discontinued operation for the period from 1 January 2007 to 30 November 2007, which have been included in the consolidated income statement, are as follows:

	Period from 1 January 2007 to 30 November 2007 *HK$'000*
Revenue	903
Cost of services	(735)
Gross profit	168
Other income	645
Distribution costs	(658)
Administrative expenses	(1,825)
Loss before tax	(1,670)
Income tax expense	–
Loss for the period	(1,670)

During the year ended 31 December 2007, the disposed subsidiaries received HK$1,221,000 in respect of operating activities and paid approximately HK$29,000 in respect of investing activities.

No tax charge or credit arose on gain on disposal of the discontinued operation.

11. Profit for the year

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

	Continuing operations		Discontinued operation		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**688**	620	**–**	–	**688**	620
Cost of inventories sold	**272,438**	157,195	**–**	–	**272,438**	157,195
Depreciation of property, plant and equipment	**5,574**	4,207	**–**	71	**5,574**	4,278
Operating lease rentals in respect of land and buildings	**662**	607	**–**	809	**662**	1,416
Loss on disposals of property, plant and equipment	**86**	25	**–**	–	**86**	25
Write off of property, plant and equipment	**156**	1,717	**–**	–	**156**	1,717

Cost of inventories sold includes staff costs and depreciation of approximately HK$11,502,000 (2007: HK$9,000,000) which are included in the amounts disclosed separately.

12. Dividend and bonus issue of shares

	2008	2007
	HK$'000	*HK$'000*
Final dividend proposed of HK3.8 cents (2007: Nil cent) per share	**16,095**	–

A final dividend in respect of the year 2008 of HK3.8 cents per share, totalling approximately HK$16,095,000 are proposed by the Board. The dividends are subject to approval by shareholders at the forthcoming annual general meeting ("AGM") and have not been included as liabilities in these consolidated financial statements. The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these consolidated financial statements.

The Directors did not recommend the payment of a dividend for the year 2007.

On 4 March 2009, the directors recommended a bonus issue of shares to the shareholders of the Company on the basis of one bonus share for every five shares of the Company being held. The bonus issue of shares are subject to approval by the shareholders at the forthcoming AGM to be held on 6 May 2009. The bonus shares will rank pari passu in all respect with the ordinary shares of the Company and the Company will not allot any fractions of bonus shares.

13. Earnings per share

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$50,956,000 (2007: HK$36,073,000) and the weighted average number of ordinary shares of 423,552,000 (2007: 359,441,000) in issue during the year.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the years ended 31 December 2007 and 2008.

(b) From continuing operations

Basic earnings per share

The calculation of basic earnings per share from continuing operations attributable to equity holders of the Company is based on the profit for the year from continuing operations attributable to equity holders of the Company of approximately HK$50,956,000 (2007: HK$32,932,000) and the denominators used are the same as that detailed above for basic earnings per share.

Diluted earning per share

No diluted earnings per share are presented as that detailed above for the diluted earnings per share.

(c) From discontinued operation

Basic earnings per share from the discontinued operation is 0.87 cent per share for the year ended 31 December 2007, based on the profit for the year from discontinued operation attributable to the equity holders of the Company of approximately HK$3,141,000 and the denominators used are the same as those detailed above for basic earnings per share.

No diluted earnings per share are presented as that detailed above for the diluted earnings per share.

14. Trade receivables

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

The ageing analysis of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current to 90 days	**82,140**	9,369

As of 31 December 2008, trade receivables of approximately HK$8,518,000 (2007: HK$Nil) were past due but not impaired. These relate to a number of independent customers that have good track record with the Group. The aforesaid past due balances were subsequently settled. The ageing analysis of these trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Up to 90 days	**8,518**	–

15. Trade payables

The ageing analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current to 90 days	**12,835**	3,382
91 to 180 days	**442**	1,105
181 to 270 days	**–**	–
271 to 360 days	**16**	–
Over 360 days	**–**	19
	13,293	4,506

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's main businesses are the production and sale of plastic woven bags and the trading of coal in the PRC. The plastic woven bags business contributed a significant portion of the profits for the Group in 2008, generating the segment result with a profit of approximately HK$60 million for the Group due to increased sales and a corresponding increase in gross profit margin, principally as a result of the completion of the Group's construction of its new production plant. Notwithstanding the financial turmoil in the second half of 2008, it has not had a significant impact on the financial results of the Group for the year ended 31 December 2008. The Group has also expanded into the trading of plastic barrels during the year in order to increase its source of income and to enhance its profitability.

As announced, the Group restructured its open-pit coal trading joint venture arrangement with 內蒙古源源能源有限責任公司(Inner Mongolin Yuan Yuan Energy Company Limited) ("Yuan Yuan") and in this connection, it entered into agreement with Yuan Yuan to acquire 51% equity interest in 吉林省德峰物資經貿有限責任公司 (Jilin Province De Feng Commodity Economics and Trade Co., Limited) ("De Feng") on or about April 2008. Following the completion of acquisition in late August 2008, De Feng has generated a satisfactory level of profit and income for the Group, because the tight supply of coal during the period.

In relation to the underground coal trading joint venture arrangement with Yuan Yuan, following the excavation of the underground coal mine of Inner Mongolin Jinyuanli Underground Mining Company Limited, it was found that the coal in the sixth tier underground was not of a commercially viable quality. Consequently, the excavation has been extended to the eighth tier underground and therefore, we expect a delay in the commencement of the operations of the underground coal trading joint venture. Currently, we expect this joint venture will generate revenue for the Group around the end of 2009.

Financial Review

The Group achieved excellent result in 2008. For the year ended 31 December 2008, the Group's turnover was approximately HK$364 million representing a significant increase of approximately HK$166 million as compared with approximately HK$198 million in last year. The revenue was mainly generated from Changchun Yicheng Packaging Company Limited. For the year 2008, the Group generated an operating profit of approximately HK$68 million compared with the operating profit approximately HK$31 million for the year ended 31 December 2007, representing the increase in profit by approximately HK$37 million. The result of coal business as reflected in the segmental information included pre-operating expenses and excavation costs for underground coal mines of approximately HK$5 million and profit from distribution of coal from open-pit mine in the PRC of approximately HK$16 million.

Consequently the profit attributable to shareholders increased from approximately HK$36 million in 2007 to approximately HK$51 million in 2008, administrative expenses increased to approximately HK$22 million in 2008 (2007: approximately HK$12 million).

In late August 2008, the Company completed the acquisition of 51% equity interest in De Feng and De Feng is starting to contribute profit from sales of coal.

The financial tsunami has a little effect to the businesses of the Group. The Group do not made any over-the counter contingent forward transaction. The fluctuation of Renminbi in the period is not significant. Significant portion of money is kept in the bank for fixed deposits. The Group will continue to seek out other investment opportunities with the aim to bring satisfactory reward to the shareholder.

Prospects

We expect the protracted global financial turmoil to have a negative impact on the Group's plastic woven bags and coal trading businesses in the near term. The Group will exercise stringent control over its expenditures and adopt cost-saving measures. In light to the foregoing and with the expected commencement of the underground coal trading joint venture in 2009, we are cautiously optimistic about the Group's business and its future.

We are considering the possibility of seeking a transfer of listing from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Ltd. Such a transfer, if successful, will enhance the recognition and business profile of the Group. In addition, the Group will continue to seek out other coal related investment opportunities with the aim to achieve satisfactory return to the shareholders.

Capital structure, liquidity and financial resources

As at 31 December 2008, the Group had cash and cash equivalents amounting to approximately HK$142 million. Additionally, the Group's gearing ratio was 0.01 which is based on the division of long-term liabilities by shareholders' funds. The Group's liquidity ratio was 6.66.

Foreign currency risk

The Group's sales and purchase 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 2008, the Group did not have any material contingent liabilities.

Employee information

As at 31 December 2008, the Group employed a total of 596 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. Yu Yang. The written terms of reference of the audit committee comply with the GEM 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 2008.

Material acquisitions and significant investment

In August 2008, the Company completed the transaction through its indirectly wholly owned subsidiary, Kotan Resources (China) Limited ("KRL") with Yuan Yuan in relation to the acquisition of equity interest in De Feng at a total consideration of RMB2,550,000. Upon completion of the Equity Transfer Agreement, KRL and Yuan Yuan will hold 51% and 49% equity interest in the registered capital of De Feng respectively.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2008 and currently it has no plan for material investments or capital assets.

Code on Corporate Governance Practices

The Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules.

Dividends and bonus issue of shares

The Board of Directors recommended a final dividend of HK3.8 cents per share (2007: Nil cent) and the issue of bonus share on the basis of one bonus share for every 5 existing share being held to the shareholders registered in the Company's Register of Members as at the close of business on 25 May 2009. The necessary resolutions will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The 2008 Annual General Meeting of the Company will be held on Wednesday, 6 May 2009 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the GEM Listing Rules.

Closing of Register of Members

The Register of Members will be closed from Tuesday, 26 May 2009 to Tuesday, 2 June 2009 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, 26th Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on 25 May 2009.

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.

By order of the Board
Mak Shiu Chung, Godfrey
Chairman

4 March 2009, Hong Kong

At the date of this announcement, the Board comprises:

Executive Directors
Mr Mak Shiu Chung, Godfrey
Mr. Zhang Chao Liang
Mr. Wang Hon Chen

Independent Non-Executive Directors
Mr Kwok Chi Shing
Mr. Tsang Wai Sum
Mr. Yu Yang

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting and on www irasia.com/listco/hk/deteam/index.htm.