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*This announcement, for which the directors (the “Directors”) of DeTeam Company Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market (the “GEM”) of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **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 2007**

#### **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 2007 was approximately HK\$198.2 million, representing an increase of approximately 197 per cent. as compared with that of the year ended 31 December 2006.
- The Group recorded a profit attributable to shareholders of approximately HK\$36.1 million for the year ended 31 December 2007, compared with a profit of approximately HK\$10.1 million for the year ended 31 December 2006.
- The Directors do not recommend the payment of dividend for the year ended 31 December 2007.

**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 2007 together with the comparative figures for the year ended 31 December 2006 as follows:

## CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>			
<b>Turnover</b>	3	<b>198,244</b>	66,771
Cost of sales		<u>(157,195)</u>	<u>(53,652)</u>
<b>Gross profit</b>		<b>41,049</b>	13,119
Other income	4	<b>4,115</b>	147
Income from excess of fair value over cost of acquisition of a subsidiary		–	4,001
Administrative expenses		<b>(12,108)</b>	(5,129)
Other operating expenses		<u>(1,742)</u>	<u>–</u>
<b>Profit from operations</b>		<b>31,314</b>	12,138
Finance costs	6	<b>(579)</b>	(536)
Loss on disposals of subsidiaries		<u>–</u>	<u>(90)</u>
<b>Profit before tax</b>		<b>30,735</b>	11,512
Income tax credit	7	<u><b>1,381</b></u>	<u>–</u>
<b>Profit for the year from continuing operations</b>		<b>32,116</b>	11,512
<b>Discontinued operation</b>			
Profit/(loss) for the year from discontinued operation	8	<u><b>3,141</b></u>	<u>(1,379)</u>
<b>Profit for the year</b>	9	<u><b>35,257</b></u>	<u>10,133</u>
<b>Attributable to:</b>			
Equity holders of the Company		<b>36,073</b>	10,133
Minority interests		<u>(816)</u>	<u>–</u>
		<u><b>35,257</b></u>	<u>10,133</u>
<b>Earnings per share</b>			
From continuing and discontinued operations			
– Basic	11(a)	<u><b>10.04 cents</b></u>	<u>3.83 cents</u>
– Diluted	11(a)	<u>N/A</u>	<u>N/A</u>
From continuing operations			
– Basic	11(b)	<u><b>9.16 cents</b></u>	<u>4.35 cents</u>
– Diluted	11(b)	<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>89,796</b>	26,528
Prepaid land lease payments		<b>358</b>	451
Intangible asset		<b>24,873</b>	–
Investment in an associate		–	–
Available-for-sale financial assets		–	862
		<u><b>115,027</b></u>	<u>27,841</u>
<b>Current assets</b>			
Inventories		<b>24,475</b>	17,500
Prepaid land lease payments		<b>123</b>	115
Amounts due from customers for contract works		–	1,223
Trade receivables	12	<b>9,369</b>	2,415
Deposits, prepayments and other receivables		<b>23,802</b>	5,742
Cash and bank balances		<b>201,517</b>	7,828
		<u><b>259,286</b></u>	<u>34,823</u>
<b>Current liabilities</b>			
Trade payables	13	<b>4,506</b>	16,435
Accrued charges and other payables		<b>8,771</b>	11,184
Provision for warranty		–	653
Short term borrowings		–	9,500
Current tax liabilities		–	1,346
		<u><b>13,277</b></u>	<u>39,118</u>
<b>Net current assets/(liabilities)</b>		<u><b>246,009</b></u>	<u>(4,295)</u>
<b>Total assets less current liabilities</b>		<b>361,036</b>	23,546
<b>Non-current liabilities</b>			
Other loan		–	2,375
<b>NET ASSETS</b>		<u><b>361,036</b></u>	<u>21,171</u>
<b>Capital and reserves</b>			
Share capital		<b>42,355</b>	29,606
Other reserves		<b>311,681</b>	44,654
Accumulated losses		<b>(17,016)</b>	(53,089)
Equity attributable to equity holders of the Company		<b>337,020</b>	21,171
Minority interests		<b>24,016</b>	–
<b>TOTAL EQUITY</b>		<u><b>361,036</b></u>	<u>21,171</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2007*

	Attributable to equity holders of the Company				Minority interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
Balance at 1 January 2006	20,400	35,385	(63,222)	(7,437)	-	(7,437)
Currency translation differences	-	362	-	362	-	362
Share issue expenses	-	(241)	-	(241)	-	(241)
Net income recognised directly in equity	-	121	-	121	-	121
Profit for the year	-	-	10,133	10,133	-	10,133
Total recognised income and expense for the year	-	121	10,133	10,254	-	10,254
Issue of shares	9,206	7,356	-	16,562	-	16,562
Recognition of share-based payment	-	1,792	-	1,792	-	1,792
Balance at 31 December 2006	<u>29,606</u>	<u>44,654</u>	<u>(53,089)</u>	<u>21,171</u>	<u>-</u>	<u>21,171</u>
Balance at 1 January 2007	<u>29,606</u>	<u>44,654</u>	<u>(53,089)</u>	<u>21,171</u>	<u>-</u>	<u>21,171</u>
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
Disposal of subsidiaries	-	222	-	222	-	222
Capital contribution from minority shareholder	-	-	-	-	24,195	24,195
Balance at 31 December 2007	<u>42,355</u>	<u>311,681</u>	<u>(17,016)</u>	<u>337,020</u>	<u>24,016</u>	<u>361,036</u>

*Notes:*

## **1. General and basis of preparation**

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, 31/F., 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 and paper bags and sale of coal.

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 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); 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 policies 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.

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 2 to the financial statements.

## 2. Critical judgements and key estimates

### 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\$24,873,000.

## 3. Turnover

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

	2007 HK\$'000	2006 HK\$'000
Sales of bags	195,476	66,771
Sales of coal	2,768	–
Revenue from transportation technology solution contracts	903	2,918
	<u>199,147</u>	<u>69,689</u>
Representing:		
Continuing operations	198,244	66,771
Discontinued operation (revenue from transportation technology solution contracts ( <i>Note 8</i> ))	903	2,918
	<u>199,147</u>	<u>69,689</u>

#### 4. Other income

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest income	4,117	148
Service income	–	380
Reversal of provision for warranty	547	652
Waiver of amount due to a director	94	2,345
Sundry income	2	–
	<u>4,760</u>	<u>3,525</u>
Representing:		
Continuing operations	4,115	147
Discontinued operation ( <i>Note 8</i> )	645	3,378
	<u>4,760</u>	<u>3,525</u>

#### 5. 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 and paper bags;
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 PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.



**Primary reporting format – business segments**

	Continuing operations			Discontinued operation	Total HK\$'000
	Bags HK\$'000	Coal HK\$'000	Sub-total HK\$'000	Transportation technology solutions HK\$'000	
Year ended 31 December 2007					
Revenue	<u>195,476</u>	<u>2,768</u>	<u>198,244</u>	<u>903</u>	<u>199,147</u>
Segment results	<u>33,700</u>	<u>(1,006)</u>	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			<u>30,735</u>	<u>(1,670)</u>	<u>29,065</u>
At 31 December 2007					
Segment assets	111,928	36,877	148,805	–	148,805
Unallocated assets					225,508
Total assets					<u>374,313</u>
Segment liabilities	4,506	–	4,506	–	4,506
Unallocated liabilities					8,771
Total liabilities					<u>13,277</u>
Other segment information:					
Capital expenditure	53,648	35,768	89,416	31	89,447
Unallocated amounts					250
					<u>89,697</u>
Depreciation	4,115	32	4,147	71	4,218
Unallocated amounts					60
					<u>4,278</u>
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	<u>1,717</u>	<u>–</u>	<u>1,717</u>	<u>–</u>	<u>1,717</u>

	Continuing operations			Discontinuing operation	Total HK\$'000
	Bags HK\$'000	Coal HK\$'000	Sub-total HK\$'000	Transportation technology solutions HK\$'000	
Year ended 31 December 2006					
Revenue	<u>66,771</u>	<u>-</u>	<u>66,771</u>	<u>2,918</u>	<u>69,689</u>
Segment results	<u>11,641</u>	<u>-</u>	11,641	(4,271)	7,370
Other income			147	3,378	3,525
Income from excess of fair value over cost of acquisition of a subsidiary			4,001	-	4,001
Unallocated expenses			(3,651)	(486)	(4,137)
Profit/(loss) from operations			12,138	(1,379)	10,759
Finance costs			(536)	-	(536)
Loss on disposals of subsidiaries			(90)	-	(90)
Profit/(loss) before tax			<u>11,512</u>	<u>(1,379)</u>	<u>10,133</u>
At 31 December 2006					
Segment assets	57,320	-	57,320	3,423	60,743
Unallocated assets					1,921
Total assets					<u>62,664</u>
Segment liabilities	30,345	-	30,345	7,518	37,863
Unallocated liabilities					3,630
Total liabilities					<u>41,493</u>
Other segment information:					
Capital expenditure	119	-	119	4	123
Unallocated amounts					-
					<u>123</u>
Depreciation	1,241	-	1,241	154	1,395
Unallocated amounts					10
					<u>1,405</u>
Amortisation of prepaid land lease payments	38	-	38	-	38
Allowance on amount due from an associate	-	-	-	70	70
Trade receivables written off	<u>-</u>	<u>-</u>	<u>-</u>	<u>681</u>	<u>681</u>

## 6. Finance costs

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loan	416	53
Interest on other loan wholly repayable within 5 years	163	480
Interest on convertible note wholly repayable within 5 years	–	3
	<u>579</u>	<u>536</u>
Representing:		
Continuing operations	<u>579</u>	<u>536</u>

## 7. Income tax credit

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax – Overseas		
Overprovision in prior year	<u>(1,381)</u>	<u>–</u>
Representing:		
Continuing operations	<u>(1,381)</u>	<u>–</u>

- (a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the year ended 31 December 2007 (2006: HK\$Nil).

The subsidiary, Changchun Yicheng Packaging Company Limited (“Changchun Yicheng”), operating in the PRC, is subject to enterprise income tax rate of 33% 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) and is therefore entitled to a reduced tax rate of 27%. However, 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 33% 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.

For the year ended 31 December 2007, the tax rate applicable to a disposed subsidiary, Beijing Angels Communications Technology Co., Ltd. (“Beijing Angels”), operating in the PRC is 33% (2006: 33%). No provision for enterprise income tax has been made for the year as this disposed subsidiary did not generate any assessable profits arising in the PRC during the period up to the date of disposal (2006: HK\$Nil).

- (b) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit/(loss) before tax		
Continuing operations	30,735	11,512
Discontinued operation ( <i>Note 8</i> )	(1,670)	(1,379)
	<u>29,065</u>	<u>10,133</u>
Tax at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	5,086	1,773
Expenses not deductible for tax purposes	1,097	165
Income tax exempted	(5,833)	(2,725)
Income not taxable	(862)	(26)
Tax losses for which no deferred income tax asset was recognised	512	813
Overprovision in prior years	(1,381)	–
	<u>(1,381)</u>	<u>–</u>

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law will be effective from 1 January 2008. The impact of the new tax law on the Group's consolidated financial statements is not material.

- (c) At the balance sheet date the Group did not have any unused tax losses (2006: approximately HK\$11,395,000 from discontinued operation) available for offset against future profits.

## 8. 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, 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/(loss) for the year from the discontinued operation is analysed as follows:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss of discontinued operation	<b>(1,670)</b>	(1,379)
Gain on disposal of discontinued operation	<b>4,811</b>	–
	<u><b>3,141</b></u>	<u>(1,379)</u>

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:

	<b>Period from 1 January 2007 to 30 November 2007</b> <i>HK\$'000</i>	Year ended 31 December 2006 <i>HK\$'000</i>
Revenue	<b>903</b>	2,918
Cost of services	<b>(735)</b>	(2,248)
Gross profit	<b>168</b>	670
Other income	<b>645</b>	3,378
Distribution costs	<b>(658)</b>	(1,333)
Administrative expenses	<b>(1,825)</b>	(3,343)
Other operating expenses	–	(751)
Loss before tax	<b>(1,670)</b>	(1,379)
Income tax expense	–	–
Loss for the period/year	<u><b>(1,670)</b></u>	<u>(1,379)</u>

During the year, the disposed subsidiaries received approximately HK\$1,221,000 (2006: paid HK\$1,092,000) in respect of operating activities and paid approximately HK\$29,000 (2006: HK\$4,000) in respect of investing activities.

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

## 9. Profit for the year

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

	Continuing operations		Discontinued operation		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Auditor's remuneration	620	438	-	-	620	438
Cost of inventories sold	157,195	53,652	-	-	157,195	53,652
Depreciation of property, plant and equipment	4,207	1,247	71	158	4,278	1,405
Operating lease rentals in respect of land and buildings	607	-	809	878	1,416	878
Allowance for amount due from an associate (included in other operating expenses)	-	-	-	70	-	70
Trade receivables written off (included in other operating expenses)	-	-	-	681	-	681
Loss on disposals of property, plant and equipment	25	-	-	-	25	-
Write off of property, plant and equipment	1,717	-	-	-	1,717	-
	<u>1,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,717</u>	<u>-</u>

Cost of inventories sold includes staff costs and depreciation of approximately HK\$9,000,000 (2006: HK\$2,357,000) which are included in the amounts disclosed separately.

## 10. Dividend

The Directors do not recommend the payment of a dividend for the year (2006: HK\$Nil).

## 11. 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\$36,073,000 (2006: HK\$10,133,000) and the weighted average number of ordinary shares of 359,441,000 (2006: 264,520,000) 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 2006 and 2007.

**(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\$32,932,000 (2006: HK\$11,512,000) 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 (2006: loss per share of 0.52 cent per share), based on the profit for the year from discontinued operation attributable to the equity holders of the Company of approximately HK\$3,141,000 (2006: loss of HK\$1,379,000) 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.

**12. Trade receivables**

The general credit terms of sales of bags are 30 days. In 2006, the credit terms granted to customers of a disposed segment, transportation technology solution, vary generally at the results of negotiations between the individual customers and the Group. Customers are generally required to pay at various intervals over the life of the projects.

The ageing analysis of trade receivables is as follows:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Current to 90 days	<b>9,369</b>	1,984
91 to 180 days	–	77
181 to 270 days	–	–
271 to 360 days	–	957
Over 360 days	–	1,697
	<hr/>	<hr/>
	<b>9,369</b>	4,715
Less: Allowance for doubtful debts	–	(2,300)
	<hr/>	<hr/>
	<b>9,369</b>	2,415
	<hr/> <hr/>	<hr/> <hr/>

As of 31 December 2007, all the trade receivables were within credit limit.

### 13. Trade payables

The ageing analysis of trade payables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 90 days	3,382	12,062
91 to 180 days	1,105	7
181 to 270 days	–	220
271 to 360 days	–	86
Over 360 days	19	4,060
	<u>4,506</u>	<u>16,435</u>

### 14. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation of HKFRS 5.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The main businesses of the Group are the production and sale of plastic woven bags and coal mining and trading in the PRC.

The Group benefited from the growth in the number of new customers and the effects of strict cost control that contributed to spectacular corporate growth and earnings. Changchun Yicheng Packaging Company Limited (“Yicheng”) has become the engine of our source of profit. To meet customers’ demand, the Group invested approximately HK\$51.5 million in the construction of a new plant. The Group commenced to test production of large woven bags in the new plant and it is expected that the sale of large woven bags will bring a new source of high earnings.

The Group observes that there is extraordinarily huge demand in the market for coal. On the basis of taking the enhancement of shareholders’ interest as a prerequisite, the Group has further ventured into the coal mining and trading business. In August 2007, the Company executed two cooperative joint venture agreements with Inner Mongolia Yuan Yuan Energy Company Limited (“Yuan Yuan”). The principal business of the first cooperative agreement was to trade in and distribute coal produced by underground coal mines in the PRC, whereas the principal business of the second cooperative agreement was to trade in and distribute coal produced by open-pit coal mines in the PRC. As the incorporation of the second joint venture could not be completed before the end of December, the Group and Yuan Yuan has jointly appointed a coal trading company to handle the distribution of coal from open-pit mines until the new joint venture company is incorporated. Profit for the distribution of coal from open-pit mines in China for the year ended 2007 is approximately HK\$884,000.



Due to recession in the transportation technology solutions industry and the need for the Group to concentrate on the development of the main businesses, the Group has disposed of all its transportation technology solutions business to an independent third party in November 2007. The disposal of the transportation technology solutions business has brought profits of approximately HK\$3,141,000 to the Group.

### **Financial Review**

The Group achieved excellent result in 2007. For the year ended 31 December 2007, the Group's turnover from continuing operations was approximately HK\$198.2 million representing a significant increase of approximately 197% as compared with approximately HK\$66.8 million in last year. The increase was mainly due to revenue generated from Yicheng. For the year 2007, the Group generated an operating profit from continuing operations of approximately HK\$31.3 million compared with an operating profit approximately HK\$12.1 million for the year ended 31 December 2006, representing an increase in profit by approximately HK\$19.2 million. The coal business as reflected in the segmental information included pre-operating and excavation expenses for underground coal mines of losses approximately HK\$1,890,000 and profit from the distribution of coal from open-pit mines in the PRC of approximately HK\$884,000.

Consequently, the profit attributable to shareholders increased from approximately HK\$10.1 million in 2006 to approximately HK\$36.1 million in 2007, administrative expenses increased to approximately HK\$12.1 million in 2007 (2006: approximately HK\$5.1 million).

In January 2007, the Group repaid HK\$1,000,000 of the short term loan. The remaining balance of HK\$1,500,000 plus accrued interest totaling HK\$1,983,452 was renewed at same interest rate. The aforesaid loan was fully repaid in September 2007.

In May 2007, a placing agreement was entered into between Lucky Team International Limited, the Company and DBS Asia Capital Limited in respect of the placing of 56,900,000 Shares at HK\$1.50 per Share. The net proceed of placing was used for the purchase of coal mining and trading businesses in the PRC.

In July 2007, the Group had the placing agreement entered into between Lucky Team International Limited, the Company and Kim Eng Securities (Hong Kong) Limited in respect of the placing of 70,592,000 shares at HK\$2.79 per Share. The net proceed of placing was used to invest in building a new production plant of large plastic woven bags and the balance would be used for potential coal investments in the PRC.

In August 2007, the shareholders of the Company has approved the coal transactions through its indirect wholly-owned subsidiary Harvest Team (China) Limited into the First JV Agreement with Yuan Yuan for the establishment of the First JV Company. The First JV Company will principally be engaged in the sale and purchase, and distribution of coal to be extracted from underground coal mines in the PRC. The First JV Company, namely 內蒙古金源里井工礦業有限責任公司 (Inner Mongolia Jinyuanli Underground Mining Company Limited) was incorporated and the first contribution of approximately RMB29,000,000 by the Group has been made.

In August 2007, the shareholders of the Company has approved the coal transactions through its indirectly wholly-owned subsidiary, Kotan Resources (China) Limited, entered into Second JV Agreement with Yuan Yuan for the establishment of the Second JV Company. The Second JV Company will principally be engaged in the sale and purchase, and distribution of coal to be extracted from the open-pit coal mines in the PRC. As the incorporation of the second joint venture could not be completed before the end of December, the Group and Yuan Yuan has jointly appointed a coal trading company to handle the distribution of coal from open-pit mines until the new joint venture company is incorporated.

In November 2007, due to the need to concentrate in the development of the main businesses, the Group disposed the transportation technology solutions business to an independent third party at HK\$300,000. The disposal of the transportation technology solution business has brought profits of approximately HK\$3,141,000 to the Group.

The group will continue to seek out coal investment opportunities with the aim to bring satisfactory reward to the shareholders.

### **Prospects**

As the engine of earnings to the Group, Yicheng will continue to bring large earnings contribution to the Group. It is expected that production of the large woven bag business will bring high returns to the shareholders. The excavation of the underground coal mines is slightly behind schedule due to the issue of excess water surrounding the underground coal mines. The Group expects that underground coal mines will start production by the end of this year. The continuous rise in coal price and huge demand for coal in the PRC will bring a large amount of profits to the Company. It is expected that the coal business will become another source of income for the Group.

As announced on 5 December 2007, the Group is still in negotiation with Inner Mongolia Haishen Coal Corporation Limited (“Haishen”) about the investment in the coal mines of Haishen. The Group will continue to search for coal investment opportunities in an effort to bring satisfactory returns to shareholders.

### **Capital structure, liquidity and financial resources**

In May 2007, a placing agreement was entered into between Lucky Team International Limited, the Company and DBS Asia Capital Limited in respect of the placing of 56,900,000 Shares representing approximately 19.2% of the issued share capital of the Company at the time of the new issue and approximately 16.1% of the enlarged issued share capital of the Company and at the same time, a subscription agreement was also entered into between Lucky Team International Limited and the Company in respect of the subscription of 56,900,000 Shares at HK\$1.50 per Share. The net proceeds was used for the purchase of coal mining and trading businesses in the PRC.

In July 2007, the Group had the placing agreement entered into between Lucky Team International Limited, the Company and Kim Eng Securities (Hong Kong) Limited in respect of the placing of 70,592,000 shares representing approximately 20% of the issued share capital of the Company at the time of placing and approximately 16.67% of the enlarged issued share capital of the Company, at the same time a subscription agreement was entered into between Lucky Team International Limited and the Company in respect of the subscription of 56,900,000 Shares at HK\$2.79 per Share. The net proceeds of the Subscription and the General Mandate Placing were approximately HK\$191 million. The net proceeds was applied as to HK\$51.5 million by the Group for investment in building a new production plant of large plastic woven bags and the balance of HK\$139.5 million for potential coal investments in the PRC.

As at 31 December 2007, the Group had cash and cash equivalents amounting to approximately HK\$202 million. Additionally, the Group's gearing ratio was nil which is based on the division of long-term debts by shareholders' funds. The Group's liquidity ratio is 19.5.

#### **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 2007, the Group did not have any material contingent liabilities.

#### **Employee information**

As at 31 December 2007, the Group employed a total of 493 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 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. During the year ended 31 December 2007, the audit committee comprises three members, Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Yu Yang. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Kwok Chi Shing.

The audit committee held 4 meetings during the year ended 31 December 2007.

The audit committee has reviewed the annual results for the year ended 31 December 2007.

### **Material acquisitions and significant investment**

In August 2007, the Group completed the coal transactions through its indirect wholly-owned subsidiary, Harvest Team (China) Limited (“HTL”), entered into the First JV Agreement with Yuan Yuan for the establishment of the First JV Company. The First JV Company will principally be engaged in the sale and purchase, and distribution of coal to be extracted from underground coal mines in the PRC. The First JV Company, namely 內蒙古金源里井工礦業有限責任公司 (Inner Mongolia Jinyuanli Underground Mining Company Limited\*) was incorporated and the first contribution of approximately RMB29,000,000 by the Group has been made.

In August 2007, the Group completed the coal transactions through its indirect wholly-owned subsidiary, Kotan Resources (China) Limited (“KRL”), entered into Second JV Agreement with Yuan Yuan for the establishment of the Second JV Company. The Second JV Company will principally be engaged in the sale and purchase, and distribution of coal to be extracted from the open-pit coal mines in the PRC. As the incorporation of the second joint venture could not be completed before the end of December, the Group and Yuan Yuan has jointly appointed a coal trading company to handle the distribution of coal from open-pit mines until the new joint venture company is incorporated.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2007 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

## **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*

20 March 2008 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 "Latest Company Announcements" page of the GEM website with the domain name of [www.hkgem.com](http://www.hkgem.com) for at least seven days from its date of posting.*