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## **DeTeam Company Limited**

**弘海有限公司\***

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

(Stock Code: 65)

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The board (the “Board”) of directors (the “Directors”) of DeTeam Company Limited (the “Company”) announces 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 2014 together with the comparative figures for the corresponding period in 2013 as follows. This condensed consolidated Interim Account has not been audited, but has been reviewed by the audit committee of the Company (the “Audit Committee”).

\* *For identification only*

## **HIGHLIGHTS FOR THE INTERIM RESULTS**

- Turnover of the Group for the six months ended 30 June 2014 was approximately HK\$153,396,000 representing a decrease of 10% over the corresponding period in 2013.
- The Group recorded a loss attributable to equity holders of approximately HK\$6,312,000 for the six months ended 30 June 2014.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

## RESULTS

The board of Directors (the “Board”) announces the unaudited consolidated results of the Group for the six months ended 30 June 2014, together with the unaudited comparative figures for the corresponding period in 2013 are as follows:

### Condensed Consolidated Statement of Profit or Loss – unaudited

		Six months ended 30 June	
		2014	2013
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	2	<b>153,396</b>	170,444
Cost of sales		<b>(114,399)</b>	(124,155)
<b>Gross profit</b>		<b>38,997</b>	46,289
Other income		<b>816</b>	418
Selling and distribution expenses		<b>(4,578)</b>	–
Administrative expenses		<b>(35,142)</b>	(29,452)
Other operating expenses		<b>(26)</b>	(10,544)
<b>Profit from operations</b>		<b>67</b>	6,711
Finance costs	3	<b>(5,013)</b>	(2,322)
<b>(Loss)/profit before tax</b>	5	<b>(4,946)</b>	4,389
Income tax expense	4	<b>(3,595)</b>	(9,546)
<b>Loss for the period</b>		<b>(8,541)</b>	(5,157)
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		<b>(6,312)</b>	5,847
Non-controlling interests		<b>(2,229)</b>	(11,004)
		<b>(8,541)</b>	(5,157)
<b>(Loss)/earnings per share</b>	7		(restated)
Basic		<b>(0.55) cents</b>	0.51 cents
Diluted		<b>(0.55) cents</b>	0.50 cents

## Condensed Consolidated Statement of Comprehensive Income – unaudited

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(8,541)</b>	<b>(5,157)</b>
<b>Other comprehensive income:</b>		
<i>Items that will be reclassified to profit or loss:</i>		
Exchange difference arising on translating foreign operations	<u>(1,222)</u>	<u>1,897</u>
<b>Total comprehensive income for the period</b>	<b><u>(9,763)</u></b>	<b><u>(3,260)</u></b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<u>(7,534)</u>	<u>7,744</u>
Non-controlling interests	<u>(2,229)</u>	<u>(11,004)</u>
	<b><u>(9,763)</u></b>	<b><u>(3,260)</u></b>

## Condensed Consolidated Statement of Financial Position

		As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	615,474	641,806
Prepaid land lease payments		2,740	2,818
Investment properties		8,750	8,750
Intangible asset		91,948	93,930
Deferred tax assets		41,897	41,897
Goodwill		2,907	2,907
Deposits		6,284	4,379
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>770,000</b>	796,487
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		74,300	45,964
Prepaid land lease payments		77	77
Trade and bills receivables	9	179,381	138,572
Deposits, prepayments and other receivables		24,477	11,442
Restricted bank deposits		8,058	8,117
Bank and cash balances		16,811	16,852
		<hr/>	<hr/>
<b>Total current assets</b>		<b>303,104</b>	221,024
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	10	9,644	14,206
Accrued charges and other payables		297,910	219,304
Due to non-controlling shareholders	11	12,725	8,798
Due to a director	12	2,274	1,636
Current tax liabilities		1,127	3,616
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>323,680</b>	247,560
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(20,576)</b>	(26,536)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>749,424</b>	769,951
		<hr/> <hr/>	<hr/> <hr/>

## Condensed Consolidated Statement of Financial Position

		As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
<b>Non-current liabilities</b>			
Other payables		16,574	39,636
Due to non-controlling shareholders	11	39,624	77,547
Due to a director	12	33,400	–
Borrowings		99,957	85,136
Deferred tax liabilities		14,064	12,064
		<u>203,619</u>	<u>214,383</u>
<b>Total non-current liabilities</b>		<b>203,619</b>	<b>214,383</b>
<b>NET ASSETS</b>		<b>545,805</b>	<b>555,568</b>
<b>Equity</b>			
Share capital	13	114,619	114,619
Other reserves		408,173	390,170
Accumulated losses		(62,589)	(37,052)
		<u>460,203</u>	<u>467,737</u>
Equity attributable to equity holders of the Company		460,203	467,737
Non-controlling interests		85,602	87,831
		<u>545,805</u>	<u>555,568</u>
<b>TOTAL EQUITY</b>		<b>545,805</b>	<b>555,568</b>

## Condensed Consolidated Statement of Cash Flows – unaudited

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(2,726)	63,014
Net cash outflow from investing activities	(5,001)	(52,983)
Net cash (outflow)/inflow before financing activities	(7,727)	10,031
Net cash inflow from financing activities	7,686	25,080
(Decrease)/Increase in cash and cash equivalents	(41)	35,111
Cash and cash equivalents at 1 January	16,852	34,538
Cash and cash equivalents at 30 June	<u>16,811</u>	<u>69,649</u>
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	<u>16,811</u>	<u>69,649</u>

Notes:

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2014 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure provisions of Appendix 16 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of preparation of the Interim Financial Statements are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2013.

## 2. SEGMENT INFORMATION

The Group has three reportable segments, namely plastic woven bags, coal trading and coal upgrading services. These segments are managed separately as each business offers different products and services.

### For the period ended 30 June 2014

	Bags <i>HK\$'000</i> (unaudited)	Coal <i>HK\$'000</i> (unaudited)	Coal Upgrading <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>TURNOVER</b>	<b>76,020</b>	<b>73,416</b>	<b>3,960</b>	<b>153,396</b>
Segment profit/(loss)	14,313	(4,052)	(6,222)	4,039
Unallocated corporate income				375
Unallocated corporate expenses				(9,361)
Operation loss excluding interest income/expenses				(4,947)
Interest income				1
Interest expenses				-
Loss before taxation				<b>(4,946)</b>
As 30 June 2014 (unaudited)				
Segment assets	<b>266,028</b>	<b>673,578</b>	<b>138,932</b>	<b>1,078,538</b>
Segment liabilities	<b>31,813</b>	<b>333,832</b>	<b>72,091</b>	<b>437,736</b>



For the period ended 30 June 2013

	Bags <i>HK\$'000</i> (unaudited)	Coal <i>HK\$'000</i> (unaudited)	Coal Upgrading <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>TURNOVER</b>	<u>115,258</u>	<u>37,132</u>	<u>18,054</u>	<u>170,444</u>
<b>Segment profit/(loss)</b>	31,952	(25,945)	1,649	7,656
Unallocated corporate income				375
Unallocated corporate expenses				(3,643)
Operation profit excluding interest income/expenses				4,388
Interest income				2
Interest expenses				(1)
Profit before taxation				<u>4,389</u>
At 30 June 2013 (unaudited)				
Segment assets	<u>357,648</u>	<u>645,727</u>	<u>114,601</u>	<u>1,117,976</u>
Segment liabilities	<u>25,156</u>	<u>464,437</u>	<u>90,786</u>	<u>580,379</u>

### 3. FINANCE COSTS

	Six months ended 30 June	
	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)
Interest on other loans-wholly repayable within five year	2,425	–
Interest on loan from a related company	–	372
Interest on loan from non-controlling shareholders	1,942	1,934
Interest on loan from a director	129	–
Bank charges	517	16
	<u>5,013</u>	<u>2,322</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 2014 (2013: HK\$Nil).

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

#### 5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	(21)	(418)
Amortisation of mining right	1,982	679
Allowance for doubtful debts	–	10,544
Cost of inventories sold	114,399	124,155
Depreciation of property, plant and equipment	29,428	21,293
Directors' emoluments	2,602	2,420
Government grant	(419)	–
Operating lease rentals in respect of land and buildings	2,116	1,280

#### 6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: HK\$Nil).

#### 7. (LOSS)/EARNINGS PER SHARE

##### Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company are based on the loss for the six months ended 30 June 2014 attributable to equity holders of the Company of HK\$6,312,000 (profit attributable to equity holders for the corresponding period in 2013: HK\$5,847,000) and the weighted average number of ordinary shares of 1,146,192,918 (2013 (restated): 1,146,192,918) 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 11 October 2013.

### **Diluted (loss)/earnings per share**

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2014.

Diluted earnings per share for the six months ended 30 June 2013 are calculated based on the Group's profit attributable to equity holders of the Company of HK\$5,847,000 and on the weighted average number of ordinary shares 1,180,606,711.

### **8. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2014, the Group had addition to property, plant and equipment of approximately HK\$5,225,000 (2013: HK\$52,983,000).

### **9. TRADE AND BILLS RECEIVABLES**

As at 30 June 2014, the ageing analysis of trade receivables of approximately HK\$166,783,000 (2013: HK\$91,105,000), based on the invoice date and net of allowance, is as follows:

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Current to 90 days	<b>66,807</b>	59,683
91 to 180 days	<b>54,695</b>	29,425
181 to 365 days	<b>43,580</b>	564
Over 365 days	<b>1,701</b>	1,433
	<hr/> <b>166,783</b> <hr/>	<hr/> 91,105 <hr/>

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

## 10. TRADE PAYABLES

As at 30 June 2014, the ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Current to 90 days	6,975	7,561
91 to 180 days	1,095	592
181 to 270 days	733	261
271 to 365 days	2	34
Over 365 days	839	5,758
	<hr/> <b>9,644</b> <hr/>	<hr/> 14,206 <hr/>

## 11. DUE TO NON-CONTROLLING SHAREHOLDERS

The analysis of the carrying amount of the amounts due to non-controlling shareholders, are as follow:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
<b>Current liabilities</b>		
Advances ( <i>note a</i> )	2,540	5,673
Other payable ( <i>note b</i> )	10,185	3,125
	<hr/> 12,725 <hr/>	<hr/> 8,798 <hr/>
<b>Non-current liabilities</b>		
Loans ( <i>note c</i> )	39,624	77,547
	<hr/> 52,349 <hr/>	<hr/> 86,345 <hr/>

*Notes:*

- (a) The advances are unsecured, interest-free and repayable on demand.
- (b) As at 30 June 2014, other payable of approximately HK\$10,185,000 (2013: 3,125,000) are unsecured, interest-free and repayable at normal business term.
- (c) The loans from non-controlling shareholders interests are unsecured, bear interest at 0% – 10.2% per annum and repayable in 2015.

## 12. DUE TO A DIRECTOR

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
<b>Current liabilities</b>		
Other payables ( <i>note a</i> )	2,274	1,636
<b>Non-current liabilities</b>		
Loans ( <i>note b</i> )	<u>33,400</u>	<u>–</u>
	<u><b>35,674</b></u>	<u><b>1,636</b></u>

*Notes:*

- a) The payables are unsecured, interest-free and repayable on demand.
- b) The loans from a Director are unsecured, bear interest at 0% – 5% per annum and repayable in 2015 and 2016.

## 13. 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 2013 (audited) and 30 June 2014 (unaudited)	<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 2013 (audited)	<u>1,146,192,918</u>	<u>114,619</u>
As at 30 June 2014 (unaudited)	<u>1,146,192,918</u>	<u>114,619</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

## **FINANCIAL REVIEW AND BUSINESS REVIEW**

The Group recorded a turnover of approximately HK\$153,396,000 for the six months ended 30 June 2014 representing a decrease of approximately 10% as compared with the corresponding period in 2013, and a net loss attributable to equity holders of the Company of approximately HK\$6,312,000 for the six month ended 30 June 2014, as compared with a net profit attributable to equity holders of the Company of approximately HK\$5,847,000 for the six months ended 30 June 2013.

### ***Manufacture and sale of plastic woven bags and barrel***

The turnover for the Period was approximately HK\$76,020,000, representing a decrease of approximately 34.04% as compared to the same period last year. The decrease was mainly attributable to the decrease of purchase order from one of the Group's top five customers. The gross profit for the Period was decreased by 51.26%, from approximately HK\$33,176,000 to approximately HK\$16,169,000. Further, increase in raw materials costs and staff costs during the Period also resulted in the drop of gross profit margin for the Period.

### ***Trading and distribution of coal***

Due to the effective costs control measures, our underground coal mine has resumed operation since February 2014, As at 30 June 2014, approximately 774,272 tons of coal was produced and approximately 437,708 tons of coal was sold. The Company expects that the production will continue to be stable in the remaining months and is expected to achieve the annual production capacity of 1,200,000 tons coal in 2014.

### ***Provision of low-rank coal upgrading services***

The turnover for the Period was approximately HK\$3,959,000, representing a decrease of approximately 78.07% as compared to the same period of last year. The decrease was mainly attributable to the decrease of service order from one of the Group's top five customers. The Group recorded the gross loss amounted to approximately HK\$1,433,000 for the Period as compared to the gross profit of approximately HK\$6,642,000 to the same period last year. The significantly decrease in gross profit margin was mainly due to certain fixed costs were being absorbed in the cost of sales, when the turnover dropped, the cost of sales would not drop correspondingly.

Beijing Guochuan New Energy Development Co., Ltd, ("BeijingGuochuan") and Xilinhaote City Guochuan Energy Technology Development Co.,Ltd, ("Xilinhaote Guochuan", together with Beijing Guochuan the "Principals"), both all indirect wholly-owned subsidiaries of the Company, entered into the project management contract (the "Project Management Contract") for the construction of the production facilities in Xilinhaote City, the PRC with Dalian Shipbuilding Industry Equipment Manufacturing Company Limited ("Dalian Shipbuilding"). The tentative total project costs payable by the Principals is RMB458,850,000 (equivalent to approximately HK\$587,330,000).

Pursuant to the Project Management Contract, the latest date to fulfill the conditions as set out in this contract is expired. The Company is currently in negotiation (the “Negotiation”) with Dalian Shipbuilding to extend certain dates set out in the Project Management Contract including but not limited to (i) the latest date for completion the registration of the Charge/Pledge; (ii) the completion date of the Project; and (iii) the latest date of fulfillment of the conditions precedent of the Project Management Contract.

On 24 March 2014, Beijing Guochuan New Energy Development Co., Limited (“Beijing Guochuan”) as borrower (北京國傳新能源開發有限公司), an indirect wholly-owned subsidiary incorporated in the PRC, entered into a loan agreement with Mr. Xu Bin, as lender, for an unsecured and interest-free loan of RMB20,000,000 (approximately HK\$25,400,000) for use by Beijing Guochuan as general working capital. The loan is repayable on 31 October 2015. On 27 March 2014, the loan has been fully received. The loan facility is unsecured and non-interest bearing.

#### ***Loan advance from shareholder***

On 10 January 2014, the Company, as a borrower, entered into a loan agreement with Mr. Xu Bin, as a lender, a director and a substantial shareholder of the Company, for an unsecured loan of HK\$4,000,000 at an interest rate of 5% per annum for the use as general working capital of the Company. The loan is repayable on 31 December 2015.

On 7 May 2014, the Company, as a borrower, entered into a loan agreement with Mr. Xu Bin, as a lender, a director and a substantial shareholder of the Company, for an unsecured loan of HK\$4,000,000 at an interest rate of 5% per annum for the use as general working capital of the Company. The loan is repayable on 31 March 2016.

On 8 May 2014 (after trading hours), the Company and Mr. Xu Bin entered into the Loan Agreement pursuant to which the Lender agreed to grant an unsecured and interest bearing loan up to 8 tranches with an aggregate principal amount of up to HK\$200,000,000 to the Company (as borrower) during the Availability Period at an interest rate of 5% per annum.

#### ***Disposal of investment properties***

On 3 March 2014, the Group entered into agreements to dispose of its investment properties of approximately HK\$8,750,000 at a cash consideration of HK\$8,828,000 and a deposit of approximately HK\$4,550,000 was received on 17 March 2014.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2014 the Group’s gearing ratio was 0.18 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.

## **CONTINGENT LIABILITIES**

As at 30 June 2014, the Group did not have any material contingent liabilities.

## **CAPITAL COMMITMENT**

As at 30 June 2014, the Group had capital commitment amounted to approximately HK\$47,037,000 (31 December 2013: approximately HK\$50,116,000).

## **EMPLOYEES**

The Group employed 1,182 full time employees as at 30 June 2014. Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programs and housing allowances.

## **CAPITAL STRUCTURE AND MATERIAL ACQUISITION**

The Group did not have any charges on its assets, and there were no changes in the Company's authorized share capital.

## **PROSPECTS**

As one of the major revenue streams to the Group, Changchun Yicheng will continue to exercise stringent control in the manufacturing process and manpower to save costs thus increasing profit. In the meantime, Changchun Yicheng will continue to seek more business opportunities and the Board will consider necessary and appropriate plans and strategies in order to improve its performance.

As winter is approaching, generally coal price will be better than first half of the year. The Company is of the view the profit incurred in the underground coal mine in the second half of the year and is expected to achieve the annual production capacity of 1,200,000 tons of coal in 2014.

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

## **EVENTS AFTER THE REPORTING PERIOD**

On 10 July 2014, the Company received a letter (the "Letter") from Beijing Lifang & Partners Law Firm ("Lifang"), representing 長青中美(北京)能源技術有限公司 (Evergreen China Energy Technology Company Limited#) ("Evergreen").



In the Letter, reference was made to the six patent applications (the “Six Patent Applications”) in relation to the technology (the “Technology”) for upgrading lignite which were licensed by Mr. Xu Bin (“Mr. Xu”), the Co-Chairman and executive Director of the Company, to 北京國傳新能源開發有限公司 (Beijing Guochuan Energy New Energy Development Co., Ltd.) (“Beijing Guochuan”), an indirect wholly-owned subsidiary of the Company, and sub-licensed to 錫林浩特市國傳能源科技開發有限公司 (Xilinhaote City Guochuan Energy Technology Development Co., Ltd<sup>#</sup>) (“Xilinhaote Guochuan”), a wholly-owned subsidiary of Beijing Guochuan, in May 2012 and the engagement of 大連船舶重工集團裝備製造有限公司 (Dalian Shipbuilding Industry Equipment Manufacturing Company Limited<sup>#</sup>) by Beijing Guochuan for the proposed construction of production facilities for upgrading lignite. It was alleged in the Letter that (i) Evergreen is the exclusive licensee for the patented lignite upgrading technology (“Evergreen’s Patented Technology”); (ii) Mr. Xu had discussed with Evergreen for the implementation of Evergreen’s Patented Technology and shortly afterwards, Mr. Xu suddenly filed the Six Patent Applications which fall within the scope of protection of the relevant patent of Evergreen; (iii) Mr. Xu plagiarized Evergreen’s Patented Technology; and (iv) the engagement for the making of lignite upgrading equipment and lignite upgrading by Beijing Guochuan and Xilinhaote Guochuan constitute infringement.

On 25 July, 2014, Evergreen has engaged Lifang to file request for invalidation of five licensed patents of Mr. Xu with the Patent Reexamination Board of the SIPO. The board of directors (the “Board”) of the Company announced that according to the written examination decision on the request for invalidation of two of the licensed patents of Mr. Xu issued by the Patent Reexamination Board of SIPO on 21 July 2014, the Patent Reexamination Board of SIPO decided that all the reasons alleged by Evergreen for invalidation of such two licensed patents could not be substantiated and the validity of such two licensed patents should be upheld.

On 18 August 2014, according to the written examination decisions on the request for invalidation of another two of the licensed patents of Mr. Xu issued by the Patent Reexamination Board of SIPO on 1 August 2014 and 6 August 2014 respectively, the Patent Reexamination Board of SIPO decided that all the reasons alleged by Evergreen for invalidation of such two licensed patents could not be substantiated and the validity of such two licensed patents should be upheld. According to the Patent Law of the PRC, Evergreen may, within three months from receipt of the notification of the decision, institute legal proceedings in the First Intermediate People’s Court of Beijing against the decision. As at the date of this announcement, the Patent Reexamination Board of SIPO has upheld the validity of four licensed patents among the five licensed patents for which the invalidation requests were filed by Evergreen. The invalidation request in respect of the remaining one licensed patent is still pending the decision of the Patent Reexamination Board of SIPO.

On 8 August, 2014, the Board proposes that every five (5) Existing Shares of HK\$0.10 each in the issued and unissued share capital of the Company be consolidated into one (1) consolidated Share of HK\$0.50 in the issued and unissued share capital of the Company (the “Share Consolidation”). As at the date of this announcement, there were 1,146,192,918 Existing Shares of HK\$0.10 each in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued or repurchased from the date of this announcement up to the date of the EGM, there will be 229,238,583 Consolidated Shares of HK\$0.50 each in issue which are fully paid or credited as fully paid immediately following the Share Consolidation. The authorised share capital of the Company will become HK\$1,000,000,000.00 divided into 2,000,000,000 Consolidated Shares of HK\$0.50 each.

The Board proposes to raise approximately HK\$114,600,000, before expenses, by way of open offer of 229,238,583 offer shares at the subscription price of HK\$0.5 per offer share on the basis of one (1) offer share for every one (1) consolidated share (the “Open Offer”) held by the Qualifying Shareholders on the Record Date and payable in full on acceptance. The Share Consolidation and the Open Offer will be subject to the grant of whitewash waiver from the Securities and Futures Commission of Hong Kong and the passing at of all relevant resolution of the extraordinary general meeting.

### **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 comprising the independent non-executive directors namely Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Huang Shao Ru. 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 financial statements for the six months ended 30 June 2014.

### **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 2014. 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 2014 Interim Report will be available on both websites and dispatched to Shareholders in due course.

By order of the Board

**Xu Bin**

*Co-Chairman*

Hong Kong, 29 August 2014

*As at the date of this announcement, the Board comprises four executive Directors, being Mr. Xu Bin, Mr. Mak Shiu Chung, Godfrey, Mr. Zhang Fusheng and Mr. Wang Hon Chen and three independent non-executive Directors, being Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Huang Shao Ru.*