DeTeam Company Limited
弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 65)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2012 was approximately HK$431 million, representing a decrease of approximately 13 per cent. as compared with that of the year ended 31 December 2011.

- The Group recorded a loss attributable to owners of the Company of approximately HK$25 million for the year ended 31 December 2012, compared with the loss attributable to owners of the Company of approximately HK$2 million for the year ended 31 December 2011.

- The Directors recommend the declaration of a final dividend of HK0.65 cent per share for the year ended 31 December 2012 and recommend the issue of bonus shares on the basis of two bonus shares for every ten existing shares being held.

ANNUAL RESULTS

The board of Directors (the "Board") present the audited consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2012 together with the comparative figures for the year ended 31 December 2011 as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	**2012**	2011
		HK$'000	*HK$'000*
Turnover	4	**430,506**	494,496
Cost of sales		**(354,499)**	(425,631)
Gross profit		**76,007**	68,865
Other income	5	**2,523**	951
Selling and distribution expenses		**(17,414)**	(17,154)
Administrative expenses		**(51,212)**	(60,260)
Share-based payments		**(14,892)**	–
Impairment of property, plant and equipment	6	**(62,051)**	–
Other operating expenses		**(3)**	(3,678)
Loss from operations		**(67,042)**	(11,276)
Finance costs	8	**(7,444)**	(11,125)
Loss before tax		**(74,486)**	(22,401)
Income tax credit	9	**10,777**	217
Loss for the year	10	**(63,709)**	(22,184)
Attributable to:			
Owners of the Company		**(25,385)**	(2,292)
Non-controlling interests		**(38,324)**	(19,892)
		(63,709)	(22,184)
Loss per share	12		(Restated)
– Basic		**HK(2.89) cents**	HK(0.26) cent
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Loss for the year	**(63,709)**	(22,184)
Other comprehensive income:		
Exchange differences on translating foreign operations	**9,155**	24,849
Other comprehensive income for the year, net of tax	**9,155**	24,849
Total comprehensive income for the year	**(54,554)**	2,665
Attributable to:		
Owners of the Company	**(18,143)**	16,202
Non-controlling interests	**(36,411)**	(13,537)
	(54,554)	2,665

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	**2012**	2011
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**557,407**	520,979
Prepaid land lease payments		**2,859**	2,860
Intangible asset		**93,292**	93,183
Deferred tax assets		**57,071**	25,810
Goodwill		**2,907**	–
		713,536	642,832
Current assets			
Inventories		**67,682**	75,656
Prepaid land lease payments		**66**	84
Trade receivables	13	**129,145**	93,430
Deposits, prepayments and other receivables		**36,511**	58,181
Current tax assets		**837**	302
Pledged and restricted bank deposits		**7,962**	11,982
Bank and cash balances		**34,538**	37,064
		276,741	276,699
Current liabilities			
Trade payables	14	**26,594**	7,282
Accrued charges and other payables		**263,118**	179,990
Due to non-controlling shareholders		**5,940**	10,331
Due to directors		**76**	–
Borrowings		**–**	49,048
Current tax liabilities		**8,120**	5,202
		303,848	251,853
Net current (liabilities)/assets		**(27,107)**	24,846
Total assets less current liabilities		**686,429**	667,678

	Note	2012	2011
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Due to non-controlling shareholders		**60,730**	36,900
Borrowings		**20,373**	13,162
Deferred tax liabilities		**9,486**	9,321
		90,589	59,383
NET ASSETS		**595,840**	608,295
Capital and reserves			
Share capital		**91,933**	73,190
Other reserves		**382,852**	341,813
(Accumulated losses)/Retained profits		**(4,695)**	34,345
Proposed final dividend	11	**6,209**	3,659
Equity attributable to owners of the Company		**476,299**	453,007
Non-controlling interests		**119,541**	155,288
TOTAL EQUITY		**595,840**	608,295

Notes:

1. General information

The Company was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are manufacturing and sale of plastic woven bags, paper bags and plastic barrels and upgrading 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 that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. 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 significant changes to the Group's accounting polices, presentation of the Group's financial statements 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, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on 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.

4. Turnover

The Group's turnover which represents sales of bags and barrels to customers, sales of coal and coal upgrading income are as follows:

	2012	2011
	HK$'000	*HK$'000*
Sales of bags and barrels	**254,114**	288,549
Sales of coal	**168,151**	205,947
Coal upgrading income	**8,241**	–
	430,506	494,496

5. Other income

	2012	2011
	HK$'000	*HK$'000*
Interest income	**180**	911
Gain on disposals of property, plant and equipment	**160**	40
Government grant *(note)*	**1,771**	–
Sundry income	**412**	–
	2,523	951

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

6. Impairment of property, plant and equipment

At 31 December 2012, the Group's management appointed professional appraisers to perform appraisals on the Group's principal mining structures and related assets for the purpose of determining if the assets have been impaired for those group of assets that have impairment indications and determined that a number of those assets were fully impaired. Impairment loss of HK$1,283,000, HK$47,253,000, HK$12,505,000 and HK$1,010,000 has been recognised in respect of buildings, mining structures, plant and machinery and furniture, fixtures and equipment respectively for the year.

7. Segment information

The Group has three reportable segments as follows:

Bags – Manufacture and sale of plastic woven bags, paper bags and plastic barrels;

Coal – Trading and distribution of coal; and

Coal upgrading – Provision of low-rank coal upgrading services.

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

Segment profit or loss represents the profit earned by each segment without allocation of corporate income and expense, central administration costs, interest income and finance costs. Segment assets excluded goodwill, corporate assets and deferred tax assets. Segment liabilities excluded corporate liabilities and deferred tax liabilities.

There were no intersegment sales during the year (2011: HK$Nil).

Information about reportable segment profit or loss, assets and liabilities:

	Bags *HK$'000*	**Coal** *HK$'000*	**Coal upgrading** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2012				
Revenue from external customers	**254,114**	**168,151**	**8,241**	**430,506**
Segment profit/(loss)	**51,682**	**(81,733)**	**647**	**(29,404)**
Interest revenue	**108**	**58**	**2**	**168**
Interest expense	**–**	**7,251**	**–**	**7,251**
Income tax expense/(credit)	**17,360**	**(28,596)**	**459**	**(10,777)**
Depreciation and amortisation	**7,145**	**31,593**	**963**	**39,701**
Gain on disposals of property, plant and equipment	**–**	**160**	**–**	**160**
Impairment of property, plant and equipment	**–**	**62,051**	**–**	**62,051**
Capital expenditure	**1,880**	**95,854**	**1,966**	**99,700**
At 31 December 2012				
Segment assets	**335,745**	**715,765**	**34,612**	**1,086,122**
Segment liabilities	**26,749**	**509,090**	**30,552**	**566,391**

	Bags *HK$'000*	Coal *HK$'000*	Coal upgrading *HK$'000*	Total *HK$'000*
Year ended 31 December 2011				
Revenue from external customers	288,549	205,947	–	494,496
Segment profit/(loss)	34,213	(37,713)	–	(3,500)
Interest revenue	820	78	–	898
Interest expense	2,481	8,279	–	10,760
Income tax expense/(credit)	13,363	(13,580)	–	(217)
Depreciation and amortisation	7,369	26,225	–	33,594
Gain on disposals of property, plant and equipment	–	40	–	40
Capital expenditure	85	67,806	–	67,891
At 31 December 2011				
Segment assets	292,812	719,193	–	1,012,005
Segment liabilities	25,603	397,340	–	422,943

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

	2012	2011
	HK$'000	*HK$'000*
Revenue	**430,506**	494,496
Profit or loss		
Total loss of reportable segments	**(29,404)**	(3,500)
Interest revenue	**180**	911
Interest expense	**(7,444)**	(11,125)
Unallocated corporate income	**375**	–
Unallocated corporate expenses	**(27,416)**	(8,470)
Consolidated loss for the year	**(63,709)**	(22,184)
Assets		
Total assets of reportable segments	**1,086,122**	1,012,005
Corporate assets	**30,756**	7,489
Deferred tax assets	**57,071**	25,810
Goodwill	**2,907**	–
Elimination of intersegment assets	**(186,579)**	(125,773)
Consolidated total assets	**990,277**	919,531
Liabilities		
Total liabilities of reportable segments	**566,391**	422,943
Corporate liabilities	**12,978**	8,625
Deferred tax liabilities	**9,486**	9,321
Elimination of intersegment liabilities	**(194,418)**	(129,653)
Consolidated total liabilities	**394,437**	311,236

Geographical information:

	Revenue		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**76**	76
The People's Republic of China (the "PRC") except Hong Kong	**430,506**	494,496	**653,482**	616,946
Consolidated total	**430,506**	494,496	**653,558**	617,022

In presenting the geographical information, revenue is based on the locations of the customers.

The non-current assets information above is based on the location of assets and excludes deferred tax assets and goodwill.

Revenue from major customers:

	2012	2011
	HK$'000	*HK$'000*
Bags segment		
Customer a	**254,114**	288,549
Coal segment		
Customer a	**62,747**	93,978
Coal upgrading segment		
Customer a	**8,241**	–

8. Finance costs

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,328**	4,942
Interest on other loans	**719**	785
Interest on loan from a related company	**735**	715
Interest on loan from a director	**61**	–
Interest on loan from a non-controlling shareholder	**3,979**	3,796
Bank charges	**622**	887
	7,444	11,125

9. Income tax credit

	2012	2011
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the year	**18,710**	12,810
Under-provision in prior year	**72**	31
	18,782	12,841
Deferred tax	**(29,559)**	(13,058)
	(10,777)	(217)

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2012 as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: HK$Nil).

The subsidiaries, Changchun Yicheng Packaging Company Limited, Jilin Province De Feng Commodity Economics and Trade Co., Limited and Changchun Guochuan Energy and Technology Development Company Limited operating in the PRC, are subject to enterprise income tax rate of 25% on its taxable profit in accordance with the PRC Income Tax Law.

The subsidiary, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited, 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.

10. Loss for the year

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

	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration	**800**	788
Allowance for inventories (included in cost of inventories sold)	**2,371**	4,932
Amortisation of mining right	**1,383**	1,873
Cost of inventories sold	**354,499**	425,631
Depreciation of property, plant and equipment	**38,294**	31,694
Impairment of property, plant and equipment	**62,051**	–
Operating lease rentals in respect of buildings	**1,634**	869

Cost of inventories sold includes staff costs, allowance for inventories, operating lease rentals, amortisation of mining right and depreciation of approximately HK$70,796,000 (2011: HK$80,225,000) which are included in the amounts disclosed separately.

11. Dividends

	2012	2011
	HK$'000	*HK$'000*
Final dividend proposed of HK0.65 cent (2011: HK0.5 cent) per ordinary share	**6,209**	3,659

A final dividend in respect of the year 2012 of HK0.65 cent per ordinary share, totalling approximately HK$6,209,000 are proposed by the Board. The dividends are subject to approval by shareholders at the forthcoming annual general meeting 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.

12. Loss per share

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$25,385,000 (2011: HK$2,292,000) and the weighted average number of ordinary shares of 879,500,606 (2011 restated: 878,277,427) in issue during the year.

The weighted average numbers of ordinary shares for the purpose of calculating basic loss per share have been retrospectively adjusted to reflect the bonus issue completed on 12 October 2012.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive ordinary shares during the year ended 31 December 2011.

The effect of all potential ordinary shares are anti-dilutive for the year ended 31 December 2012.

13. Trade receivables

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

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

	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**77,782**	69,432
91 to 180 days	**18,752**	16,818
181 to 365 days	**31,445**	3,237
Over 365 days	**1,166**	3,943
	129,145	93,430

14. Trade payables

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

	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**7,906**	6,890
91 to 180 days	**12,909**	380
181 to 270 days	**–**	–
271 to 365 days	**5,686**	–
Over 365 days	**93**	12
	26,594	7,282

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2012, the Group's main business were the production and sale of plastic woven bags and the trading of coal in the PRC. Following the acquisition of Pak Yip Holdings Investment Limited ("Pak Yip") in May, the Group was also involved in low-rank coal upgrading business.

In November 2012, the mining licence for Jinyuanli underground coal mine was granted and all the other relevant licences (including the safety production licence and coal production licence) were granted in March 2013 subsequently, thus resulting in a new chapter for the Group to commence commercial production.

Changchun Yicheng continued to generate profits for the Group and we expected the plastic woven bags business to continue to grow steadily in the future.

In May 2012, the Company acquired the entire issued share capital of the Pak Yip , one of its subsidiary Changchun Guochan Energy operates a low rank coal upgrading plant in Changchun, PRC, with an annual production capacity of 500,000 tonnes. Various tests of the low-rank coal delivered from different coal mines in Inner Mongolia, PRC had shown results of an average 60% increase in net calorific value on an as received basis (from an average of 3,000 kcal/kg to 5,000 kcal/kg) after upgrading.

According to the announcement dated December 31, 2011 issued by The Ministry of Science and Technology of the People's Republic of China, upgrading low-rank coal project assumed by Changchun Guochuan Energy has been identified as one of the 863 environmental projects in 2012.

In July 2012, a framework agreement was entered into between Beijing Guochuan and China Railway Resources Investment Ltd. ("China Railway Resources"), pursuant to which Beijing Guochuan, a wholly owned subsidiary of Pak Yip agreed to cooperate in the establishment of production facilities for upgrading of low-rank coal, with an annual production of not less than 2,000,000 tonnes of upgraded coal.

In July 2012, an investment agreement was entered into between Beijing Guochuan and the People's Government of Xilinhaote, pursuant to which, Beijing Guochuan and the People's Government of Xilinhaote agreed to cooperate in the construction and operation of the production facilities used to upgrade low-rank coal. The construction work of production facilities would be conducted in two phases. Subject to the completion of the two phases of construction, the annual production capacity of the production facilities would be expected to reach ten million tonnes of upgraded coal.

In December 2012, a memorandum of understanding was entered into between Beijing Guochuan and Dalian Shipbuilding, pursuant to which, Beijing Guochuan agreed to appoint Dalian Shipbuilding to be responsible for the affairs of the project management and contracting of the Xilinhaote coal upgrading project.

Financial review

As a result of an increase in the selling prices of all the plastic woven bags, Changchun Yicheng recorded a segment profit of approximately HK$51,682,000 during the year. On the other hand, due to a share-based expenses that incurred as a non-cash expense arising from share options granted by the Company in January 2012; an impairment losses of property, plant and equipment in Jinyuanli underground coal mine; and lower coal production and declining coal price, the Group's loss was widened comparing to last year. The Group recorded a loss attributable to owners of the company of approximately HK$25,385,000 for the year ended 31 December 2012, as compared to loss attributable to owners of the Company of approximately HK$2,292,000 for the same period in 2011. The Group's turnover was approximately HK$430,506,000 representing a decrease of approximately HK$63,990,000 as compared with HK$494,496,000 last year. It was a result of a decline in the selling price of coal in comparison with the correspondence year and a decrease in total sales of coal of approximately 38,408 tons in the underground coal mine as compared to 2011. The result of the Group's coal business for the year ended 31 December 2012 as reflected in the segmental information was a loss of approximately HK$85,023,000 in the underground coal mine business, profit from sale of open-pit coal of approximately HK$3,290,000 and profit from upgrading low-rank coal of approximately HK$647,000.

Selling and distribution expenses for 2012 was approximately HK$17,414,000 representing an increase of HK$260,000 as compared with approximately HK$17,154,000 in 2011.

Administrative expenses for 2012 were approximately HK$51,212,000 as compared with HK$60,260,000 in 2011. The reduction was the result of the Group's concerted efforts to maximize operational efficiency and streamline operational expenses.

Finance cost for 2012 was approximately HK$7,444,000 representing a decrease of 33% as compared with approximately HK$11,125,000 in 2011 because of the decrease in bank borrowings. As at 31 December 2012, there are no banking borrowings in the Group.

In January 2012, the Company had granted share options to certain independent third party contractors pursuant to the share option scheme adopted on 20 August 2009. The Options would enable the Grantees to subscribe for an aggregate of 73,000,000 new shares of HK$0.81 per share. Adjusted exercise price of HK$0.675 and adjusted number of shares 87,600,000 was made due to bonus issue of shares in October 2012. As a result of the share option granted, the recognition of share based payment expenses of HK$14,892,000 was recorded in the income statement.

In January 2012, an unlisted warrant placing agreement was entered into between the Company and the placing agent in respect of the Placing of 146,376,000 unlisted warrants. The warrant holders would enable to subscribe each share at HK$0.836. Adjusted exercise price of HK$0.70 and adjusted number of shares 174,814,766 was made due to bonus issue of shares in October 2012. The net proceeds from the Warrant Placing would be used as general working capital of the Group.

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

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

With Positive contribution from both Jinyuanli underground coal mine and the newly acquired low rank coal upgrading business, we expect the Group to be able to deliver a good result for the year of 2013.

Prospects

Under PRC's 12th Five Year plan and PRC new leadership's commitment to cutting pollution and use cleaner forms of energy, coal upgrading is a lucrative business prone to significant growth. We believe that our involvement in coal upgrading business together with the partnership of state-owned enterprises and local government are all important strategies to bring the Group to a level of greater return.

Capital structure, liquidity and financial resources

As a result of the bonus issue of shares on the basis of two bonus share for every ten then existing shares in 2012 and the exercise of 41,054,766 non-listed warrants by the warrant holders in December 2012, the Company has a total number of 919,332,193 issued shares.

As at 31 December 2012, the Group had cash and cash equivalents amounting to approximately HK$35 million. Additionally, the Group's gearing ratio was 0.03 which was based on the division of total borrowings by total equity. The Group's liquidity ratio was 0.9.

Pledge of Assets

As at 31 December 2012, the Group had no pledge of assets.

Foreign currency risk

The Group's sales and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollar. Since the exchange rate fluctuation between Hong Kong dollar and Renminbi is very small, the foreign exchange risk is very low and no hedging has been made.

Contingent liabilities

As at 31 December 2012, the Group did not have any material contingent liabilities.

Employee information

As at 31 December 2012, the Group employed a total of 705 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 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 2012.

Material acquisitions and significant investment

In May 2012, the Company completed the transaction through its indirectly wholly owned subsidiary, in relation to the acquisition of equity interest in Pak Yip for a total consideration of HK$300,000.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2012 and currently it has no plan for material investments or capital assets.

Corporate governance

The Company has complied with the applicable provision set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 contained Appendix 14 to the Listing Rule (the "CG Code"), save and except as disclosed below:

(i) Under code provision A.4.1, non-executive should be appointed for a specific term, subject to re-election. Our Independent non-executive directors are not appointed for a specific term. However, all Directors (including executive and non-executive) of the Company are subject to retirement by rotation at least once every three year at the AGM. The Board believes that this retirement by rotation requirement serves the same purpose as that of code provision A.4.1.

(ii) under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings of the Company,. Two independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 20 June 2012 as they had other engagements in China.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") as set out in the Appendix 10 to the Listing Rules as the code of conduct to regulate securities transactions by Directors of the Company. Having made specific enquiries of all Directors, all of them confirmed that they have strictly complied with the Model Code throughout the year ended 31 December 2012.

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.

Events after the reporting period

(a) In January 2013, the subscription rights attaching to 35,828,572 warrants issued by the Company were exercised at the subscription price of HK$0.7 per share, resulting in the issue of 35,828,572 shares of HK$0.1 each for a total cash consideration of approximately HK$25,080,000.

(b) In February 2013, the Company was informed that Jinyuanli underground coal mine had obtained the safety production licence dated 24 December 2012 issued by Inner Mongolia Coal Mine Safety Supervision Bureau and the coal production licence dated 31 January 2013 issued by the Coal Industry Bureau of Inner Mongolia Autonomous Region. On 25 March 2013, the Company was informed that the local authority at the Tongliao City, Inner Mongolia had on 20 March 2013 approved the Jinyuanli underground coal mine to commence commercial production and the commercial production was then commenced in late March 2013. Please refer to announcement dated 25 March 2013 for details.

Dividends and Bonus Issue of Shares

The Board of Directors recommended a final dividend of HK0.65 cent per share (2011: HK0.50 cent) and the issue of bonus shares on the basis of two bonus shares for every ten existing share being held to the shareholders registered in the Company's Register of Members as at the close of business on Monday, 23 September 2013. The necessary resolutions will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The 2012 Annual General Meeting of the Company will be held on Wednesday, 19 June 2013 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules.

Closing of Register of Members

The Register of Members will be closed from Tuesday, 24 September 2013 to Wednesday, 2 October 2013 (both days inclusive). In order to establish entitlements to the proposed final dividend and bonus issue of the Share, 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 4:30 p.m. on Monday, 23 September 2013.

Scope of work of RSM Nelson Wheeler

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2012. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on Preliminary announcement.

Publication of Final Results on the Websites of the Stock Exchange and the Company

This announcement will be published on the websites of Stock Exchange and the Company. The annual report for the year containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published in the websites of the Stock Exchange and the Company in due course.

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

28 March 2013, Hong Kong

At the date of this announcement, the Board comprises:

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

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