DeTeam Company Limited
弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8112



ANNUAL REPORT 07

*For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (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 and no assurance is given that there will be a liquid market in the 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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this report.

This report, 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 Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and together with its subsidiaries, (the "Group"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

CORPORATE PROFILE

Board of Directors

Executive Directors
Mr. Mak Shiu Chung, Godfrey *(Chairman)*
Mr. Zhang Chao Liang
Mr. Wang Hon Chen

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

Compliance Officer

Mr. Mak Shiu Chung, Godfrey

Company Secretary

Mr. Wong Choi Chak FCCA, CPA

Authorised Representatives

Mr. Mak Shiu Chung, Godfrey
Mr. Zhang Chao Liang

Qualified Accountant

Mr. Wong Choi Chak FCCA, CPA

Audit Committee Members

Mr. Kwok Chi Shing
Mr. Tsang Wai Sum
Mr. Yu Yang

Remuneration & Nomination Committee

Mr. Tsang Wai Sum
Mr. Mak Shiu Chung, Godfrey
Mr. Yu Yang

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Suite no.3, 31st Floor
Sino Plaza
255-257 Gloucester Road
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Service (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communication (Hong Kong Branch)
Citic Ka Wah Bank

Auditor

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

Legal Advisers

As to Hong Kong Law:
Morrison & Foerster

As to Cayman Islands Law:
Conyers Dill & Pearman, Cayman

Stock Code

8112

Final Results

On behalf of the Board of DeTeam Company Limited ("the Company") and its subsidiaries (collectively "the Group"), I am pleased to present the audited consolidated results for the year ended 31 December 2007. The Group's consolidated turnover for the year increased to HK$198,244,000 from last year, profit for the year attributable to equity holders was HK$36,073,000.

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.

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.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to employees of the Group for their dedicated services and contributions. No doubt they are the most valuable assets of the Group, and are most important to the Group for achieving success in the future.

Mak Shiu Chung, Godfrey
Chairman

20 March 2008, Hong Kong

Financial Highlights

	2007 HK$'000	(restated) 2006 HK$'000	Change
Operating Results			
Turnover	198,244	66,771	197%
Gross profit	41,049	13,119	213%
Operating expenses	13,850	5,129	170%
Finance costs	579	536	8%
Profit for the year attributable to equity holders of the Company	36,073	10,133	256%
Earnings per share – basic	10.04 cents	3.83 cents	162%
Financial Position			
Total assets	374,313	62,664	497%
Cash and bank balances	201,517	7,828	2,474%
Equity attributable to equity holders of the Company	337,020	21,171	1,492%
Financial Ratios			
Current ratio	19.5	0.89	2,091%
Gearing ratio	0	0.112	N/A

Summary Financial Information

The following is a summary of the published consolidated results of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate:

Results

	Year ended 31 December				
		(Restated)	(Restated)	(Restated)	(Restated)
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
From continuing operations	**198,244**	66,771	–	–	–
From discontinued operation	**903**	2,918	7,495	33,701	23,854
	199,147	69,689	7,495	33,701	23,854
Profit from operations	**31,314**	12,138	–	–	–
Finance costs	**(579)**	(536)	–	–	–
Loss on disposals of subsidiaries	–	(90)	–	–	–
Share of losses of associates	–	–	(132)	(1,433)	(1,155)
Profit/(loss) before tax	**30,735**	11,512	(132)	(1,433)	(1,155)
Income tax credit	**1,381**	–	–	–	–
Profit/(loss) for the year from continuing operations	**32,116**	11,512	(132)	(1,433)	(1,155)
Profit/(loss) for the year from discontinued operation	**3,141**	(1,379)	(8,816)	(2,977)	(8,851)
Profit/(loss) for the year	**35,257**	10,133	(8,948)	(4,410)	(10,006)
Attributable to:					
Equity holders of the Company	**36,073**	10,133	(8,948)	(4,410)	(10,006)
Minority interests	**(816)**	–	–	–	–
	35,257	10,133	(8,948)	(4,410)	(10,006)

Summary Financial Information (Continued)

Assets, liabilities and equity

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**115,027**	27,841	1,295	4,289	8,028
Current assets	**259,286**	34,823	6,826	14,021	10,081
TOTAL ASSETS	**374,313**	62,664	8,121	18,310	18,109
Non-current liabilities	**–**	2,375	–	6,000	–
Current liabilities	**13,277**	39,118	15,558	10,946	12,335
TOTAL LIABILITIES	**13,277**	41,493	15,558	16,946	12,335
TOTAL EQUITY	**361,036**	21,171	(7,437)	1,364	5,774
Attributable to :					
Equity holders of the Company	**337,020**	21,171	(7,437)	1,364	5,774
Minority interests	**24,016**	–	–	–	–
	361,036	21,171	(7,437)	1,364	5,774

Note :

The results of the Group for the years ended 31 December 2003, 2004, 2005, 2006 and 2007 and of the assets, liabilities and equity of the Group as at these dates have been extracted from audited financial statements of the Company for the respective years and restated as appropriate.

The results of the Group for the years ended 31 December 2003 to 2006 have been restated as a result of the classification of the transportation business to discontinued operations in 2007.

The results of the Group for the year ended 31 December 2007 and of the assets, liabilities and equity of the Group as at 31 December 2007 are those set out on pages 25 and 26 of the financial statements respectively.

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 Resouces (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.

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.

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.

Executive Directors

Mr. Mak Shiu Chung, Godfrey, aged 45, has over 17 years of experience in the field of corporate finance, specialising in advisory services for major transactions concerning different sectors. He has participated in various securities and financing activities in Asia. Mr. Mak returned to Hong Kong and joined the Hong Kong Government as an Administrative Officer in 1988. He started his corporate finance career at Morgan Grenfell in 1990. He holds a Bachelor of Science degree in Business Studies from Bradford University School of Management, United Kingdom and a Master of Business Administration degree from the University of Wales, United Kingdom. Mr. Mak is a Member of the Hong Kong Securities Institute, a Member of The Chartered Institute of Marketing and an Associate of The Institute of Chartered Secretaries and Administrators.

Mr. Zhang Chao Liang, aged 39, he graduated from the University of Shenzhen in International Trade Finance. He was previously the Head of Sales in China National Machinery Import and Export Corporation (Shenzhen) responsible for sales and marketing and strategic planning.

Mr. Wang Hon Chen, aged 47, is the general manager of the Changchun Yicheng, he has over 20 years of experience in the production field. Mr. Wang is responsible for overseeing the operation of Changchun Yicheng Packaging Company Limited, including product development, production process and technical and safety management and he is a member of the People's Congress in Luyuan District, Changchun.

Independent Non-executive Directors

Mr. Kwok Chi Shing, aged 45, is currently the partner of Lam, Kwok, Kwan & Cheng CPA Limited. He graduated from the University of Aberdeen, United Kingdom in 1986 with a Master of Arts Honour Degree in Accountancy with Economics. Mr. Kwok is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok has extensive experience in corporate and financial management work especially for the real estate development and property management industries. He has extensive experience in public sector work both in Hong Kong and China and he was the president of the Hong Kong Association of Financial Advisors.

Mr. Tsang Wai Sum, aged 47, he graduated from the University of London with a bachelor degree in Laws and RMIT University with a Master Degree of Finance. He is a practicing solicitor in Hong Kong and is a partner of Tsang & Wong. He has been admitted as a solicitor in England and Wales and has been admitted as a barrister and solicitor in the Supreme Court of Victoria, Australia.

Mr. Yu Yang, aged 41, he graduated from the University of Nanjing with a bachelor degree in International Commercial Business. He is currently the chairman of Nanjing Pesishing Technology Company Limited and has over 23 year's experience in Commodity trading business.

Senior Management

Mr. Fan Xi Lu, aged 43, is the director of Inner Mongolia Jinyuanli Underground Mining Company Limited. He graduated from Jilin Architecture Technical College and has over 20 years of coal trading experiences.

Mr. Wang Hon Jiu, aged 46, is the deputy general manager of Inner Mongolia Jinyuanli Underground Mining Company Limited. He has over 24 years of mining and mine management experiences in the Jilin province. Mr. Wang has a Bachelor degree from Heilongjing Mining Institute and is a senior mining engineer and a state registered safety engineer.

Mr. Wong Choi Chak, aged 43, is the financial controller and company secretary of the Company. Mr. Wong has worked for various listed companies for over 10 years. Mr. Wong is primarily responsible for the Group's financial projection, finance control and accounting of the Group. Mr. Wong holds a bachelor's degree in Accounting from the University of Lincoln, England. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

The Directors have pleasure in presenting their report and audited financial statements of the Company and its subsidiaries (collectively refer to the "Group") for the year ended 31 December 2007.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 37 to the financial statements.

Details of the segment information are set out in Note 7 to the financial statements.

Results and Financial Position

The Group's results for the year ended 31 December 2007 are set out in the consolidated income statement on page 25.

The state of the Group's affairs as at 31 December 2007 is set out in the consolidated balance sheet on page 26.

Share Capital

Details of the movements in share capital are set out in Note 29 to the financial statements.

Reserves

The movements in reserves during the year are set out in Note 32 to the financial statements.

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2007.

Property, Plant and Equipment

Details of the movements in property, plant and equipment are set out in Note 16 to the financial statements.

Directors

The Directors who held office during the year and to the date of this report were:

Executive Directors

Mr. Mak Shiu Chung, Godfrey	
Mr. Zhang Chao Liang	
Mr. Wang Hon Chen	– appointed on 1 March 2007
Mr. Yan, Daniel X.D.	– resigned on 15 November 2007

Independent Non-Executive Directors

Mr. Kwok Chi Shing	
Mr. Tsang Wai Sum	
Mr. Yu Yang	– appointed on 5 September 2007
Mr. Yang Xiaoping	– resigned on 20 November 2007

In accordance with article 86(3) of the Articles of Association of the Company, Mr. Yu Yang holds the office of Directors until the forthcoming annual general meeting and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with article 87(1) of the Articles of Association of the Company, Mr. Wang Hon Chen and Mr. Zhang Chao Liang will retire from office and at the forthcoming annual general meeting and, both being eligible, offer themselves for re-election.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence. The Company considers that all of its independent non-executive Directors are independent.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 6 and 7.

Directors' Service Contracts

Mr. Mak Shiu Ching, Godfrey, Mr. Zhang Chao Liang and Mr. Wang Hon Chen have not entered into any service contract with the Company since the dates of their appointment as an executive Director of the Company. They have each signed a director's appointment confirmation with no fixed term of appointment as an executive Director.

None of the Directors offering themselves for re-election of the following annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of Compensation other than Statutory Compensation.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations

As at 31 December 2007, the interests and short positions of each Director and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the laws of Hong Kong) (the "SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(I) Interests in shares of the Company (Note 1)

	Number of ordinary shares					
Name	Personal interests (Note 2)	Corporate interests	Family interests	Other interests	Total	Percentage of issued share capital
Mr. Mak Shiu Chung, Godfrey	-	57,900,000 (L) (Note 3)	-	-	57,900,000(L)	13.67%

Notes:

1. As defined in Section 311 of the SFO, a reference to interests in shares comprised in the relevant share capital of a listed corporation includes a reference to interests in shares so comprised, which are the underlying shares of equity derivatives.

2. These interests are the same interests as those described in Section (II) below.

3. These shares are beneficially owned by Lucky Team International Limited ("Lucky Team"), a company incorporated in the British Virgin Islands. By virtue of his 100% shareholding in Lucky Team, Mr. Mak Shiu Chung, Godfrey is deemed or taken to be interested in the 57,900,000 shares owned by Lucky Team.

4. The letter "L" denotes a long position in the Shares.

(II) Interests in equity derivatives (as defined in the SFO) in, or in respect of, underlying shares

As at 31 December 2007, none of the Directors and Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

Share Option Scheme

The Company adopted a share option scheme (the "Old Scheme") on 16 August 2001 which was terminated pursuant to a resolution passed at the annual general meeting held on 25 April 2003, and the summary of the principal terms of the Old Scheme is set out in Appendix IV of the prospectus of the Company dated 22 August 2001 under the section headed "Share Option Scheme".

Details of share option movements during the year under the Old Scheme are as follows:

					Number of Share Options					
Name	Date of grant	Exercise price per share (HK$)	Exercisable period	Closing price before date of grant (HK$)	Outstanding at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2007
Mr. Yan, Daniel X.D.*	28.3.2002	1.28	10.8.2002 - 9.8.2011	1.30	1,500,000	-	-	(1,500,000)	-	-
Employees	28.3.2002	1.28	10.8.2002 - 9.8.2011	1.30	5,088,000	-	-	-	(5,088,000)	-
Employees	22.11.2006	0.68	23.05.2007 - 22.11.2016	0.79	26,700,000	-	-	(20,700,000)	(6,000,000)	-
					33,288,000	-	-	(22,200,000)	(11,088,000)	-

* Mr. Yan, Daniel X.D. resigned as executive Director of the Company on 15 November 2007.

The Company's new share option scheme (the "New Scheme") was adopted at the annual general meeting held on 25 April 2003. A summary of the principal terms of the New Scheme is set out in the circular of the Company dated 31 March 2003.

Under the New Scheme, the Directors may, at their discretion, offer options to Participants (as defined in the circular of the Company dated 31 March 2003) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

As at the extraordinary general meeting held on 26 August 2006, a resolution was passed to grant options under the New Scheme to subscribe for up to 29,376,000 shares, representing 10% of the then issue share capital of the Company.

As at the latest practicable date, there is no outstanding share option to be exercised under the New Scheme.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

Directors' and Chief Executive's Rights to Acquire Shares or Debt Securities

Save as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations", as at 31 December 2007, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and Chief Executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Chief Executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

Substantial Shareholders

Other than interests disclosed in the section headed "Directors and Chief Executive's interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations" above, as at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed the following persons or corporations (other than the directors or Chief Executive of the Company) as having an interest of 5% or more of the issued share capital of the Company.

Name	Capacity/ Nature of interest	Number of Shares	Percentage of issued share capital
Lucky Team International Limited ("Lucky Team")	Beneficial Owner	57,900,000 (L) (Note 1)	13.67%
Xu Bin	Beneficial Owner	48,960,000 (L) (Note 2)	11.56%
Li Gui Yan	Beneficial Owner	35,100,000 (L) (Note 2)	8.29%

Notes:

1. Lucky Team is a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Mak Shiu Chung, Godfrey, the Chairman and an executive Director of the Company.

2. To the best knowledge of the Directors, the parties are independent of and not connected with the Directors, Chief Executive, substantial shareholders or management shareholders of the Company or any associate of any of them.

3. The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at 31 December 2007, the Directors are not aware of any other persons who have interests and/or short positions in the shares, underlying shares and debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

Continuing Connected Transaction

During the year ended 31 December 2007, the Group entered into the continuing connected transactions with Yuan Yuan. Yuan Yuan was a connected person of the Company as it was a joint venture partner of the First JV Company and the Second JV Company.

As per the Continuing Connected Transaction agreement ("CCT Agreement"), the CCT Agreement was entered into for the supply of coal and lease a station platform by Yuan Yuan to the First JV Company and the Second JV Company respectively on 1 June 2007. The supply arrangement ensures that both the First JV Company and the Second JV Company will have a steady source of coal for its coal trading business. The leasing arrangement is advantageous to both First JV Company and Second JV Company as it ensures the First JV Company and the Second JV Company to have access to a station platform which is required to store and for loading of the coal of the First JV Company and the Second JV Company pending transportation via railway elsewhere.

During the period under review, the CCT Agreement has not been started due to the underground mine of the First JV Company is under construction and the Second JV Company has not yet been set up.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Convertible Securities, Options, Warrants or Other Similar Rights

Apart from the share options, details of which are set out above in the section headed "Share Option Scheme", the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 December 2007. There had been no exercise of convertible securities, options, warrants or other similar rights during the year ended 31 December 2007.

Major Customers and Suppliers

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the years ended 31 December 2007 and 2006 are as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2007	2006	2007	2006
The largest customer	23%	38%		
Five largest customers in aggregate	76%	76%		
The largest supplier			30%	24%
Five largest suppliers in aggregate			71%	60%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the major customers and suppliers noted above.

Competing Interests

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

Distributable Reserves

As at 31 December 2007, the Company had reserves available for distribution, calculated in accordance with the provisions of the Cayman Islands Companies Law, amounting to approximately HK$232,894,000. In addition, the share premium account of the Company of approximately HK$307,239,000 as at 31 December 2007 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

Pre-emptive Rights

No pre-emptive rights exist under the laws in the Cayman Islands, being the jurisdiction in which the Company is incorporated.

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.

Compliance with the GEM Listing Rules

Throughout the year ended 31 December 2007, the Company has complied with the GEM Listing Rules except that the independent non-executive Directors are not appointed for a specific term. The independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company.

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. Mr. Yu Yang joined the audit committee on 5 September 2007. Mr. Yang Xiaoping resigned as independent non-executive Director on 20 November 2007. The written terms of reference of the audit committee comply with the GEM Listing Rules. The primary duties of the audit committee of the Company are to review the Company's annual report and financial statements, half-year report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee of the Board will also be responsible for supervising and reviewing the financial reporting process and internal control system of the Group.

The audit committee of the Company held four meetings during the year. The audit committee has reviewed the annual results for the year ended 31 December 2007.

Auditor

A resolution to re-appoint the retiring auditor, RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

Corporate Governance

A report of the principle corporate governance practices adopted by the Company is set out on pages 19 to 22 of the annual report.

By order of the Board

Mak Shiu Chung, Godfrey
Chairman

20 March 2008, Hong Kong

Introduction

Subject to the deviations as disclosed on this report, the Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing a formal and transparent procedures to protect and maximize the interests of shareholders during the period under review.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2007.

Board of Directors and Board Meeting

The board of Directors, which currently comprises six Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. Among the six Directors, Mr. Wang Hon Chen was appointed as executive Director on 1 March 2007. Mr. Yu Yang was appointed as independent non-executive Director on 5 September 2007.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Profiles of the Directors and senior management. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Mr. Mak Shiu Chung, Godfrey is the chairman of the Board and an executive Director and Mr. Zhang Chao Liang, is the chief executive officer of the Company.

During the year ended 31 December 2007, the Company had three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Yu Yang are the independent non-executive Directors. The appointment of Mr. Kwok Chi Shing and Mr. Tsang Wai Sum is not for a fixed term and is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association, provided that the appointment may be terminated by the Company or Mr. Kwok Chi Shing and Mr. Tsang Wai Sum with a written notice of not less than one month unless both parties agree otherwise.

Mr. Yu has been appointed as an independent non-executive director for an initial fixed term of two years commencing from 5 September 2007. The appointment of Mr. Yu will continue after expiry of the said initial fixed term provided that either the Company or Mr. Yu may terminate the letter of appointment by giving at least three months' prior written notice to the other, whether during the said initial fixed or thereafter.

During the year ended 31 December 2007, the Board held a full board meeting for each quarter.

Details of the attendance of the Board are as follows:-

Directors		Attendance
Mr. Yan, Daniel X.D.	(resigned on 15 November 2007)	4/4
Mr. Mak Shiu Chung, Godfrey		4/4
Mr. Zhang Chao Liang		4/4
Mr. Wang Hon Chen	(appointed on 1 March 2007)	4/4
Mr. Yang Xiaoping	(resigned on 20 November 2007)	4/4
Mr. Kwok Chi Shing		4/4
Mr. Tsang Wai Sum		4/4
Mr. Yu Yang	(appointed on 5 September 2007)	1/1

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

Remuneration of Directors

The remuneration committee was established in September 2005. The chairman of the committee is Mr. Tsang Wai Sum, an independent non-executive Director, and other members include Mr. Mak Shiu Chung, Godfrey and Mr. Yu Yang, the majority being independent non-executive Directors.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and the making of recommendations of the remuneration of non-executive Directors to the board. The remuneration committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions and desirability of performance-based remuneration.

During the period under review, a meeting of the remuneration committee was held on 25 September 2007 and 1 December 2007. Details of the attendance of the remuneration committee meeting are as follows:

Members		Attendance
Mr. Yang Xiaoping	(resigned on 20 November 2007)	1/1
Mr. Mak Shiu Chung, Godfrey		2/2
Mr. Tsang Wai Sum		2/2
Mr. Yu Yang	(appointed on 5 September 2007)	1/1

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

Nomination of Directors

The nomination committee was established in September 2005. The chairman of the committee is Mr. Tsang Wai Sum, and other members include Mr. Mak Shiu Chung, Godfrey and Mr. Yu Yang, the majority being independent non-executive Directors.

The role and function of the nomination committee included selection and recommendation of Directors for appointment and removal.

The nomination committee would consider the past performance, qualification and general market conditions in selecting and recommending candidates for directorship during the year under review.

During the period under review, a meeting of the nomination committee was held on 25 September 2007 and 1 December 2007 meeting for nomination of Directors. Details of the attendance of the meeting are as follows:

Members		Attendance
Mr. Yang Xiaoping	(resigned on 20 November 2007)	1/1
Mr. Mak Shiu Chung, Godfrey		2/2
Mr. Tsang Wai Sum		2/2
Mr. Yu Yang	(appointed on 5 September 2007)	1/1

During the meeting, the board of Directors recommended that all the existing Directors be retained by the Company. Further, in accordance with the Company's Articles of Association (subject to the proposed amendments at the forthcoming annual general meeting), Mr. Wang Hon Chen, Zhang Chao Liang and Mr. Yu Yang will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Auditor's Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately HK$845,000 to the external auditor for their services including audit, due diligence and other advisory services.

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, and 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 under review. Details of the attendance of the audit committee meetings are as follows:

Members		Attendance
Mr. Yang Xiaoping	(resigned on 20 November 2007)	4/4
Mr. Kwok Chi Shing		4/4
Mr. Tsang Wai Sum		4/4
Mr. Yu Yang	(appointed on 5 September 2007)	1/1

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Directors' and Auditors Responsibilities for Financial Statements

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor to the shareholders are set out on page 23.

Internal Control

The Company has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Company convened meeting periodically to discuss financial, operational and risk management control.

Investors Relations

The Company has disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meetings are held with media and investors periodically. The Company also replied enquires from shareholders timely. The Directors host annual general meeting each year to meet with the shareholders and answer their enquiries.

RSM! Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
DETEAM COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of DeTeam Company Limited (the "Company") set out on pages 25 to 65, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

20 March 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Continuing operations			
Turnover	5	198,244	66,771
Cost of sales		(157,195)	(53,652)
Gross profit		41,049	13,119
Other income	6	4,115	147
Income from excess of fair value over cost of acquisition of a subsidiary		–	4,001
Administrative expenses		(12,108)	(5,129)
Other operating expenses		(1,742)	–
Profit from operations		31,314	12,138
Finance costs	8	(579)	(536)
Loss on disposals of subsidiaries		–	(90)
Profit before tax		30,735	11,512
Income tax credit	9	1,381	–
Profit for the year from continuing operations		32,116	11,512
Discontinued operation			
Profit/(loss) for the year from discontinued operation	10	3,141	(1,379)
Profit for the year	11	35,257	10,133
Attributable to:			
Equity holders of the Company		36,073	10,133
Minority interests		(816)	–
		35,257	10,133
Earnings per share			
From continuing and discontinued operations – Basic	15(a)	10.04 cents	3.83 cents
– Diluted	15(a)	N/A	N/A
From continuing operations – Basic	15(b)	9.16 cents	4.35 cents
– Diluted	15(b)	N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	16	89,796	26,528
Prepaid land lease payments	17	358	451
Intangible asset	18	24,873	–
Investment in an associate	19	–	–
Available-for-sale financial assets	20	–	862
		115,027	27,841
Current assets			
Inventories	21	24,475	17,500
Prepaid land lease payments	17	123	115
Amounts due from customers for contract works	22	–	1,223
Trade receivables	23	9,369	2,415
Deposits, prepayments and other receivables		23,802	5,742
Cash and bank balances	24	201,517	7,828
		259,286	34,823
Current liabilities			
Trade payables	25	4,506	16,435
Accrued charges and other payables		8,771	11,184
Provision for warranty	26	–	653
Short term borrowings	27	–	9,500
Current tax liabilities		–	1,346
		13,277	39,118
Net current assets/(liabilities)		246,009	(4,295)
Total assets less current liabilities		361,036	23,546
Non-current liabilities			
Other loan	28	–	2,375
NET ASSETS		361,036	21,171
Capital and reserves			
Share capital	29	42,355	29,606
Other reserves	32	311,681	44,654
Accumulated losses		(17,016)	(53,089)
Equity attributable to equity holders of the Company		337,020	21,171
Minority interests		24,016	–
TOTAL EQUITY		361,036	21,171

Approved by the Board of Directors on 20 March 2008.

Mak Shiu Chung, Godfrey
Director

Zhang Chao Liang
Director

		Attributable to equity holders of the Company					
	Note	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'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	29	9,206	7,356	–	16,562	–	16,562
Recognition of share-based payment		–	1,792	–	1,792	–	1,792
Balance at 31 December 2006		29,606	44,654	(53,089)	21,171	–	21,171
Balance at 1 January 2007		29,606	44,654	(53,089)	21,171	–	21,171
Currency translation differences		–	5,483	–	5,483	637	6,120
Share issue expenses		–	(8,230)	–	(8,230)	–	(8,230)
Net expense recognised directly in equity		–	(2,747)	–	(2,747)	637	(2,110)
Profit/(loss) for the year		–	–	36,073	36,073	(816)	35,257
Total recognised income and expense for the year		–	(2,747)	36,073	33,326	(179)	33,147
Issue of shares	29	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		42,355	311,681	(17,016)	337,020	24,016	361,036

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
Continuing operations		30,735	11,512
Discontinued operation	10	(1,670)	(1,379)
		29,065	10,133
Adjustments for:			
Interest income		(4,117)	(148)
Reversal of provision for warranty		(547)	(652)
Waiver of amount due to a director		(94)	(2,345)
Income from excess of fair value over cost of acquisition of a subsidiary		–	(4,001)
Finance costs		579	536
Depreciation and amortisation		4,396	1,443
Loss on disposals of property, plant and equipment		25	–
Write off of property, plant and equipment		1,717	–
Share-based payment		–	1,792
Trade receivables written off		–	681
Allowance for amount due from an associate		–	70
Loss on disposals of subsidiaries		–	90
Operating profit before working capital changes		31,024	7,599
(Increase)/decrease in inventories		(6,975)	3,031
Decrease/(increase) in amounts due from customers for contract works		1,223	(1,187)
(Increase)/decrease in trade receivables		(7,998)	3,401
Increase in deposits, prepayments and other receivables		(19,834)	(3,986)
(Decrease)/increase in trade payables		(6,660)	249
Increase/(decrease) in accrued charges and other payables		2,810	(16,823)
Net cash used in operations		(6,410)	(7,716)
Interest paid		(579)	(538)
Net cash used in operating activities		(6,989)	(8,254)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(65,493)	(123)
Proceeds from disposals of property, plant and equipment		174	–
Purchase of intangible asset		(24,204)	–
Net cash outflow arising on acquisition of a subsidiary		–	(9,288)
Net cash (outflow)/inflow arising on disposals of subsidiaries	33	(1,205)	23
Capital contribution from minority shareholder		24,195	–
Interest received		3,819	148
Net cash used in investing activities		(62,714)	(9,240)

	Note	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loan raised		–	7,000
Other loans raised		–	7,025
Repayment of bank loan		(7,000)	–
Repayment of other loans		(4,875)	(2,150)
Repayment of convertible note		–	(4,000)
Net proceeds from issue of shares		274,071	16,321
Net cash generated from financing activities		262,196	24,196
NET INCREASE IN CASH AND CASH EQUIVALENTS		192,493	6,702
CASH AND CASH EQUIVALENTS AT 1 JANUARY		7,828	1,413
Exchange differences		1,196	(287)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		201,517	7,828
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		201,517	7,828

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 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.

2. Significant accounting policies

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 polices and amounts reported for the current year and prior years.

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

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 3 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

2. Significant accounting policies (Continued)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and equity holders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2. Significant accounting policies (Continued)

(b) Business combination and goodwill (Continued)

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Significant accounting policies (Continued)

(d) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. Significant accounting policies (Continued)

(e) Property, plant and equipment

Buildings comprise mainly factories and offices. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%
Plant and machinery	16% – 19%
Leasehold improvements	Over lease term
Furniture, fixtures and equipment	18% – 20%
Motor vehicles	10% – 16%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings and mining structure under construction and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease team.

(g) Intangible asset

Mining right is measured initially at purchase cost and is amortised at a units-of-production method over the estimated volume of coal that is entitled to the Group.

2. Significant accounting policies (Continued)

(h) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Transportation technology solution contracts

When the outcome of a transportation technology solution contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a transportation technology solution contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Transportation technology solution contracts in progress at the balance sheet date are recorded in the balance sheet at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "Amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the balance sheet as "Amount due to customers for contract work". Progress billings not yet paid by the customer are included in the balance sheet under "Trade receivables". Amounts received before the related work is performed are included in the balance sheet under "Trade payables".

2. Significant accounting policies (Continued)

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

2. Significant accounting policies (Continued)

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(o) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Contract revenue

When the outcome of a transportation technology solution contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a transportation technology solution contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

2. Significant accounting policies (Continued)

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contribution payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2. Significant accounting policies (Continued)

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. Significant accounting policies (Continued)

(t) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible asset, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

2. Significant accounting policies (Continued)

(v) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and other intangible assets other than inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

3. 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.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances and trade and other receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on trade receivables and cash and bank balances is limited because the counterparties are customers with good repayment history and banks with high credit-ratings assigned by international credit-rating agencies.

4. Financial risk management (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

The Group's significant bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

5. 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
	199,147	69,689
Representing:		
Continuing operations	198,244	66,771
Discontinued operation (revenue from transportation technology solution contracts (Note 10))	903	2,918
	199,147	69,689

6. Other income

	2007 HK$'000	2006 HK$'000
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	–
	4,760	3,525
Representing:		
Continuing operations	4,115	147
Discontinued operation (Note 10)	645	3,378
	4,760	3,525

7. Segment information

(a) Primary reporting format – business segments

The Group is organised into three main business segments:

Bags	–	Manufacturing and sale of plastic woven bags 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.

7. Segment information (Continued)

Primary reporting format – business segments

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

7. Segment information (Continued)

Primary reporting format – business segments (Continued)

	Continuing operations Bags HK$'000	Continuing operations Coal HK$'000	Continuing operations Sub-total HK$'000	Discontinuing operation Transportation technology solutions HK$'000	Total HK$'000
Year ended 31 December 2006					
Revenue	66,771	–	66,771	2,918	69,689
Segment results	11,641	–	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			11,512	(1,379)	10,133
At 31 December 2006					
Segment assets	57,320	–	57,320	3,423	60,743
Unallocated assets					1,921
Total assets					62,664
Segment liabilities	30,345	–	30,345	7,518	37,863
Unallocated liabilities					3,630
Total liabilities					41,493
Other segment information:					
Capital expenditure	119	–	119	4	123
Unallocated amounts					–
					123
Depreciation	1,241	–	1,241	154	1,395
Unallocated amounts					10
					1,405
Amortisation of prepaid land lease payments	38	–	38	–	38
Allowance on amount due from an associate	–	–	–	70	70
Trade receivables written off	–	–	–	681	681

8. Finance costs

	2007 HK$'000	2006 HK$'000
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
	579	536
Representing:		
Continuing operations	579	536

9. Income tax credit

	2007 HK$'000	2006 HK$'000
Current tax – Overseas		
Overprovision in prior year	(1,381)	–
Representing:		
Continuing operations	(1,381)	–

(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.

9. Income tax credit (Continued)

(a) (Continued)

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 HK$'000	2006 HK$'000
Profit/(loss) before tax		
Continuing operations	30,735	11,512
Discontinued operation (Note 10)	(1,670)	(1,379)
	29,065	10,133
Tax at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	5,086	1,773
Expenses not deductive 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)	–
Income tax credit	(1,381)	–

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.

10. Discontinued operation

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

AIT held 100% interest in Angels Engineering Technology Limited ("AET"), a limited company incorporated in Hong Kong, and 100% interest in Beijing Angels, 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:

	2007 HK$'000	2006 HK$'000
Loss of discontinued operation	(1,670)	(1,379)
Gain on disposal of discontinued operation (Note 33)	4,811	–
	3,141	(1,379)

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

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

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.

11. 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	–

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.

12. Staff costs (including directors' emoluments)

	2007 HK$'000	2006 HK$'000
Wages and salaries	7,517	3,524
Termination benefits	–	–
Employee share option benefits (equity-settled)	–	1,792
Social security costs	1,973	450
Pension costs	15	126
	9,505	5,892

13. Directors' and employees' emoluments

(a) Directors' emoluments

The emoluments of each Director were as follows:

Name of Director	Fees HK$'000	Salaries HK$'000	Inducement fees HK$'000	Retirement benefit scheme contributions HK$'000	Compensation for loss of office as director HK$'000	Total HK$'000
Mr. Mak Shiu Chung, Godfrey	90	210	–	3	–	303
Mr. Zhang Chao Liang	5	–	–	–	–	5
Mr. Wang Hon Chen (a)	–	62	–	5	–	67
Mr. Yan, Daniel X.D. (c)	–	56	–	–	–	56
Mr. Kwok Chi Shing	60	–	–	–	–	60
Mr. Tsang Wai Sum	19	–	–	–	–	19
Mr. Yu Yang (b)	2	–	–	–	–	2
Mr. Yang Xiaoping (d)	–	–	–	–	–	–
Total for 2007	176	328	–	8	–	512

Name of Director	Fees HK$'000	Salaries HK$'000	Inducement fees HK$'000	Retirement benefit scheme contributions HK$'000	Compensation for loss of office as director HK$'000	Total HK$'000
Mr. Yan, Daniel X.D.	–	60	–	–	–	60
Mr. Lau, Andrew Kim (h)	–	48	–	–	–	48
Mr. Mak Shiu Chung, Godfrey (e)	112	–	–	–	–	112
Mr. Zhang Chao Liang (f)	2	–	–	–	–	2
Mr. Yang Xiaoping	–	–	–	–	–	–
Mr. Zhao Ming (h)	–	–	–	–	–	–
Ms. Wu Xin (g)	–	–	–	–	–	–
Mr. Kwok Chi Shing (e)	51	–	–	–	–	51
Mr. Tsang Wai Sum (f)	2	–	–	–	–	2
Total for 2006	167	108	–	–	–	275

13. Directors' and employees' emoluments (Continued)

(a) Directors' emoluments (Continued)

Notes:

(a) Appointed on 1 March 2007.

(b) Appointed on 5 September 2007.

(c) Resigned on 15 November 2007.

(d) Resigned on 20 November 2007.

(e) Appointed on 27 January 2006.

(f) Appointed on 26 July 2006.

(g) Resigned on 6 April 2006.

(h) Resigned on 19 October 2006.

During the year 2007, Mr. Yan, Daniel X.D. waived emoluments of HK$342,000 (2006: HK$395,000). Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2006: one) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2006: four) individuals are set out below:

	2007 HK$'000	2006 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	450	826
Contributions to pensions schemes	12	23
	462	849

The emoluments of this one (2006: four) highest paid individuals are less than HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Dividend

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

15. 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.

16. Property, plant and equipment

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2006	–	–	168	1,318	1,635	–	3,121
Acquisition of a subsidiary	12,180	13,980	–	–	553	–	26,713
Additions	–	119	–	4	–	–	123
Disposal of a subsidiary	–	–	–	(110)	–	–	(110)
Exchange differences	304	350	7	113	12	–	786
At 31 December 2006 and 1 January 2007	12,484	14,449	175	1,325	2,200	–	30,633
Additions	–	2,222	211	233	1,034	61,793	65,493
Disposals/write off	(1,848)	(31)	–	–	(346)	–	(2,225)
Disposal of subsidiaries	–	–	(187)	(1,439)	(1,749)	–	(3,375)
Exchange differences	771	1,069	14	87	182	2,527	4,650
At 31 December 2007	11,407	17,709	213	206	1,321	64,320	95,176
Accumulated depreciation and impairment							
At 1 January 2006	–	–	99	921	1,635	–	2,655
Charge for the year	234	948	35	129	59	–	1,405
Disposal of a subsidiary	–	–	–	(57)	–	–	(57)
Exchange differences	–	–	3	38	61	–	102
At 31 December 2006 and 1 January 2007	234	948	137	1,031	1,755	–	4,105
Charge for the year	711	3,208	69	68	222	–	4,278
Disposals/write off	(146)	(20)	–	–	(143)	–	(309)
Disposal of subsidiaries	–	–	(165)	(1,152)	(1,812)	–	(3,129)
Exchange differences	39	194	10	69	123	–	435
At 31 December 2007	838	4,330	51	16	145	–	5,380
Carrying amount							
At 31 December 2007	10,569	13,379	162	190	1,176	64,320	89,796
At 31 December 2006	12,250	13,501	38	294	445	–	26,528

At 31 December 2007, the carrying amount of plant and machinery pledged as securities for the Group's bank loan amounted to HK$Nil (2006: HK$13,501,000).

17. Prepaid land lease payments

	2007 HK$'000	2006 HK$'000
At 1 January	566	–
Acquisition of a subsidiary	–	589
Amortisation of prepaid land lease payments	(118)	(38)
Exchange differences	33	15
At 31 December	481	566
Current portion	(123)	(115)
Non-current portion	358	451

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium term leases.

18. Intangible asset

	Mining right HK$'000
Cost	
At 1 January 2006, 31 December 2006 and 1 January 2007	–
Additions	24,204
Exchange differences	669
At 31 December 2007	24,873
Accumulated amortisation	
At 1 January 2006, 31 December 2006 and 31 December 2007	–
Carrying amount	
At 31 December 2007	24,873
At 31 December 2006	–

The mining right represents the purchase cost of the exclusive right for certain volume of underground coal at Inner Mongolia Mine 958 (the "Mine").

As at the balance sheet date, the mining of the Mine has not yet commenced and no amortisation was charged to the consolidated income statement for the year ended 31 December 2007.

19. Investment in an associate

	2007 HK$'000	2006 HK$'000
Unlisted investment in Hong Kong		
Share of net liabilities	(4,740)	(4,740)
Loan receivable (Note (b))	7,488	7,488
	2,748	2,748
Less: Impairment losses	(2,748)	(2,748)
	–	–

(a) Details of the Group's associate at 31 December 2007 are as follows:

Name	Place of incorporation and operation	Issued and paid up capital	Principal activities	Directly held interest
CTIA VSAT Network Limited ("CTIA")	Hong Kong	5,000,000 ordinary shares of HK$1.0 each	Investment holding	40%

Summarised financial information in respect of the Group's associate is set out below:

	2007 HK$'000	2006 HK$'000
At 31 December		
Total assets	9,570	12,550
Total liabilities	(25,017)	(25,935)
Net liabilities	(15,447)	(13,385)
Year ended 31 December		
Revenue	10,488	10,808
Loss for the year	(1,502)	(1,897)

(b) Loan receivable from an associate is unsecured, interest free and due for repayment on demand.

(c) The Group has not recognised loss for the year amounting to HK$601,000 (2006: HK$759,000) for CTIA. The accumulated losses not recognised up to 31 December 2007 were HK$2,095,000 (2006: HK$1,494,000).

20. Available-for-sale financial assets

	HK$'000
At 1 January 2007	862
Disposal of a subsidiary	(927)
Exchange difference	65
At 31 December 2007	–

21. Inventories

	2007 HK$'000	2006 HK$'000
Raw materials	9,318	5,463
Work in progress	3,337	3,811
Finished goods	11,820	8,226
	24,475	17,500

22. Long-term transportation technology solution contracts in progress

	2007 HK$'000	2006 HK$'000
Costs incurred to date plus recognised profits to date	–	2,387
Less: progress billings	–	(1,164)
	–	1,223
Included in current assets under the following caption:		
Amounts due from customers for contract works	–	1,223

23. 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:

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

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

24. Cash and bank balances

At 31 December 2007, the Group's cash and bank balances denominated in Renminbi ("RMB") and kept in the PRC amounted to HK$13,155,000 (2006: HK$6,083,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. Trade payables

The ageing analysis of trade payables is as follows:

	2007 HK$'000	2006 HK$'000
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
	4,506	16,435

26. Provision for warranty

	HK$'000
At 1 January 2007	653
Reversal of provision	(547)
Disposal of a subsidiary	(129)
Exchange differences	23
At 31 December 2007	–

27. Short term borrowings

	2007 HK$'000	2006 HK$'000
Bank loan	–	7,000
Other loan	–	2,500
	–	9,500

The bank loan and other loan were fully repaid during the year.

28. Other loan

The other loan was fully repaid during the year.

29. Share capital

		Authorised Ordinary shares of HK$0.10 each	
		No. of shares	HK$'000
At 31 December 2006 and 2007		1,200,000,000	120,000

		Issued and fully paid Ordinary shares of HK$0.10 each	
	Note	No. of shares	HK$'000
At 1 January 2006		204,000,000	20,400
Issue of shares on placement	(a)	89,760,000	8,976
Issue of shares on share option scheme	(b)	2,300,000	230
		92,060,000	9,206
At 31 December 2006 and 1 January 2007		296,060,000	29,606
Issue of shares on placement	(c)	127,492,000	12,749
At 31 December 2007		423,552,000	42,355

(a) On 27 February 2006, the Company entered into a placing and underwriting agreement with a third party in respect of the placement of 40,800,000 ordinary shares of HK$0.1 each at a price of HK$0.1 per share. The placement was completed on 23 March 2006. The share issue expenses of approximately HK$216,000 was charged to the Company's share premium account.

On 4 May 2006, the Company conditionally agreed to issue 48,960,000 new shares of HK$0.1 each by placement under general mandate at a price of HK$0.223 per share. The placement was completed on 1 June 2006 and the premium on the issue of shares, amounting to approximately HK$6,022,000, net of share issue expenses of HK$25,000, was credited to the Company's share premium account.

(b) On 21 December 2006, 2,300,000 share options were exercised at a price of HK$0.68 each and the premium on the issue of shares, amounting to approximately HK$1,334,000 was credited to the Company's share premium account.

(c) On 15 May 2007, Lucky Team International Limited, the substantial shareholder of the Company ("Lucky Team") entered into a placing agreement with a third party in respect of the placing of 56,900,000 ordinary shares of HK$0.1 each to investors at a price of HK$1.5 per share. On the same day, the Company entered into a subscription agreement with Lucky Team in respect of the subscription of 56,900,000 ordinary shares of HK$0.1 each at a price of HK$1.5 per share. The placing and subscription was completed on 28 May 2007. The premium on the issue of shares, amounting to approximately HK$79,660,000, net of share issue expenses of HK$2,467,000 was credited to the Company's share premium account.

On 23 July 2007, Lucky Team entered into a placing agreement in respect of the placing of 56,900,000 ordinary share of HK$0.1 each to investors at price of HK$2.79 per share. On the same day, the Company entered into a subscription agreement with Lucky Team in respect of the subscription of 56,900,000 ordinary shares of HK$0.1 each at HK$2.79 per share. In addition, the Company agreed to issue 13,692,000 new shares of HK$0.1 each by placement under general mandate at the same price. The placing and subscription was completed on 2 August 2007. The premium on the issue of shares, amounting to approximately HK$189,892,000, net of share issue expenses of HK$5,763,000 was credited to the Company's share premium account.

29. Share capital (Continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars quarterly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2007, approximately 66% (2006: 46%) of the shares were in public hands.

30. Share options

Equity-settled share option scheme

The Company adopted a share option scheme (the "Old Scheme") on 16 August 2001 which was terminated pursuant to a resolution passed at the annual general meeting ("AGM") held on 25 April 2003. The Company's new share option scheme (the "New Scheme") was adopted at AGM on the same date. A summary of the principal terms of the New Scheme is set out in the circular of the Company dated 31 March 2003.

Under the New Scheme, the Directors may, at their discretion, offer options to Participants (as defined in the circular of the Company dated 31 March 2003) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

Details of the share options outstanding during the year are as follows:

	2007		2006	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Beginning of the year	33,288,000	0.80	6,888,000	1.28
Granted	–	–	29,000,000	0.68
Exercised	–	–	(2,300,000)	0.68
Lapsed	(22,200,000)	0.72	(300,000)	1.28
Cancelled	(11,088,000)	0.96	–	
End of the year	–	–	33,288,000	0.80

31. Balance sheet of the Company

	2007 HK$'000	2006 HK$'000
Investments in subsidiaries	168,518	11,199
Investment in an associate	–	–
Other current assets	111,264	1,609
Due to a subsidiary	–	(81)
Other liabilities	(616)	(3,402)
NET ASSETS	279,166	9,325
Share capital	42,355	29,606
Reserves	236,811	(20,281)
TOTAL EQUITY	279,166	9,325

32. Other reserves

	Note	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Foreign currency translation reserve HK$'000	Total HK$'000
At 1 January 2006		37,010	–	(1,628)	3	35,385
Issue of shares	29	7,356	–	–	–	7,356
Share issue expenses	29	(241)	–	–	–	(241)
Grant of share options		–	1,792	–	–	1,792
Share-based payment		1,792	(1,792)	–	–	–
Currency translation differences		–	–	–	362	362
At 31 December 2006		45,917	–	(1,628)	365	44,654
At 1 January 2007		45,917	–	(1,628)	365	44,654
Issue of shares	29	269,552	–	–	–	269,552
Share issue expenses	29	(8,230)	–	–	–	(8,230)
Currency translation differences		–	–	–	5,483	5,483
Disposals of subsidiaries		–	–	–	222	222
At 31 December 2007		307,239	–	(1,628)	6,070	311,681

Nature and purpose of reserves

(i) *Share premium account*

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

32. Other reserves (Continued)

Nature and purpose of reserves (Continued)

(ii) *Capital reserve*

The capital reserve of the Group arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2001 and represented the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the reorganisation scheme, over the nominal value of the share capital of the Company issued in exchange therefore.

(iii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(d)(iii) to the financial statements.

33. Notes to the consolidated cash flows statement

Disposals of subsidiaries

As referred to in Note 10 to the financial statements, on 30 November 2007 the Group discontinued its transportation technology solutions business at the time of the disposal of its subsidiaries, AIT, AET and Beijing Angels.

Net liabilities at the date of disposals were as follows:

	2007 HK$'000
Property, plant and equipment	246
Available-for-sales financial assets	927
Trade receivables	1,044
Prepayments, deposits and other receivables	2,072
Cash and bank balances	1,505
Trade payables	(5,269)
Provision for warranty	(129)
Accrued charges and other payables	(5,129)
Net liabilities disposed of	(4,733)
Release of foreign currency translation reserve	222
Gain on disposals of subsidiaries (Note 10)	4,811
Total consideration – satisfied by cash	300
Net cash outflow arising on disposals:	
Cash consideration received	300
Cash and cash equivalents disposed of	(1,505)
	(1,205)

34. Capital commitments

At 31 December 2007, the Group had capital commitments as follows:

	2007 HK$'000	2006 HK$'000
Mining structure Contracted but not provided for	14,998	–
Plant and equipment Contracted but not provided for	1,607	–

35. Operating lease commitments

At 31 December 2007, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2007 HK$'000	2006 HK$'000
Not later than one year	546	801
Later than one year but not later than five years	–	349
	546	1,150

36. Related party transactions

Apart from the transactions and balances disclosed elsewhere in the financial statements, the Group had no other material transactions with related parties during the year.

37. Principal subsidiaries

Name	Place of incorporation/ registration and operation	Paid up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Changchun Yicheng	The PRC	RMB60,000,000	100%	Manufacturing and sale of plastic woven bags and paper bags
Kotan Resources (China) Limited	Hong Kong	HK$10,000	100%	Coal trading
Inner Mongolia Jinyuanli	The PRC	USD6,945,000	56.2%	Coal mining*

* As at 31 December 2007, the coal mining structure was still under construction and the coal mining has not yet commenced.

38. Comparative figures

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

39. Approval of the financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2008.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of DeTeam Company Limited (the "Company") will be held at Suite No. 3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong on Monday, 28 April 2008 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the reports of the directors and auditors for the year ended 31 December 2007;

2. To re-elect the retiring directors and to fix the remuneration of directors; and

3. To re-appoint auditors and authorise the board of directors to fix their remuneration.

4. By way of special business, to consider and if thought fit, pass with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

A. "**THAT**:

(a) Subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot or issue shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or issued or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the date of passing this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution by the members of the Company in general meeting revoking or varying the authority given to the directors of the Company under this Resolution.

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrant, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of shares as at that date (subject to such exclusion or other."

B. "**THAT**:

(a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to paragraph (b) below, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution 4A of this notice."

C. "**THAT**: conditional upon Resolutions 4A and 4B above being passed, the aggregate nominal amount of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in Resolution 4B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 4A, provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue on the date of this Resolution."

By order of the Board of
DeTeam Company Limited
Mak Shiu Chung, Godfrey
Chairman

Hong Kong, 31 March 2008

Notes:

1. A member holding two or more shares who is entitled to attend and a vote of the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which is signed or a notarially certified copy of such power or authority must be deposited with the Company's principal office at Suite No. 3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong. not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.

3. A form of proxy for the meeting will be enclosed with the annual report.

4. If two or more persons are joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For the purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. In relation to proposed Resolution 4A,4B and 4C above, approval is being sought from the member for the grant to the directors of a general mandate to authorize the issue and repurchase of shares pursuant to the Rule Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The explanatory statement required by GEM Listing Rules in connection with the repurchase mandate is contained in a circular of the Company dated 31 March 2008 which will be dispatched to members together with the annual report.

6. Mr. Yu Yang will hold the office of a director until the Annual General Meeting and Mr. Zhang Chao Liang and Mr. Tsang Wai Sum will retire at the Annual General Meeting and all of the above directors, being eligible, will offer themselves for re-election. Brief biographical details of the above directors are set out in Appendix II to the circular of the Company dated 31 March 2008.

As at the date hereof, 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