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# **DeTeam Company Limited**

**弘海有限公司\***

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

(Stock Code: 65)

## **HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**The board (the "Board") of directors (the "Directors") of DeTeam Company Limited (the "Company") is pleased to present the unaudited interim condensed consolidated financial statements ("Interim Accounts") of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010 as follows. The Interim Accounts have not been reviewed by the Company's auditors but they have been reviewed by the audit committee of the Company.**

\* For identification only

## HIGHLIGHTS FOR THE HALF YEARLY PERIOD

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- Turnover of the Group for the six months ended 30 June 2011 was approximately HK\$266,965,000 representing an increase of 85% over the corresponding period in 2010.
- The Group recorded a profit attributable to equity holders of approximately HK\$10,306,000 for the six months ended 30 June 2011.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: HK0.5cent per share).

## RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June, 2011, together with the unaudited comparative figures for the corresponding periods in 2010 are as follows:

### Condensed Consolidated Income Statement – unaudited

		<b>Six months ended 30 June</b>	
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	3	<b>266,965</b>	144,617
Cost of sales		<b>(212,032)</b>	(113,512)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>54,933</b>	31,105
Other income		<b>96</b>	353
Selling and distribution expenses		<b>(5,873)</b>	(696)
Administrative expenses		<b>(26,537)</b>	(20,628)
		<hr/>	<hr/>
<b>Profit from operations</b>		<b>22,619</b>	10,134
Finance Costs		<b>(4,381)</b>	(1,265)
		<hr/>	<hr/>
<b>Profit before tax</b>		<b>18,238</b>	8,869
Income tax expense	5	<b>(7,009)</b>	(4,838)
		<hr/>	<hr/>
<b>Profit for the period</b>	4	<b>11,229</b>	4,031
		<hr/>	<hr/>
<b>Profit attributable to:</b>			
Owners of the Company		<b>10,306</b>	8,398
Non-controlling interests		<b>923</b>	(4,367)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>11,229</b>	4,031
		<hr/>	<hr/>
<b>Earnings per share</b>	7		
– Basic		<b>1.69 cents</b>	1.38 cents
		<hr/>	<hr/>
– Diluted		<b>N/A</b>	N/A
		<hr/>	<hr/>

**Condensed Consolidated Statements of Comprehensive Income (Unaudited)**

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Profit for the period	11,229	4,031
<b>Other comprehensive income:</b>		
Exchange difference arising on translating foreign operations	(999)	(695)
Total comprehensive income for the period	<u>10,230</u>	<u>3,336</u>
<b>Attributable to:</b>		
Owners of the Company	8,431	8,238
Non-controlling interests	1,799	(4,902)
	<u>10,230</u>	<u>3,336</u>

**Condensed Consolidated Statement of Financial Position**

		<b>As at 30 June 2011 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2010 HK\$'000 (Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	475,040	464,983
Prepaid land lease payments		2,779	2,810
Intangible asset		90,436	91,360
Deferred tax assets		10,163	10,163
		<b>578,418</b>	<b>569,316</b>
<b>Current assets</b>			
Inventories		54,790	60,798
Prepaid land lease payments		80	80
Trade receivables	9	122,293	82,112
Deposits, prepayments and other receivables		133,368	107,583
Pledged and restricted bank deposit		39,718	43,381
Bank and cash balances		31,919	57,234
		<b>382,168</b>	<b>351,188</b>
<b>Current Liabilities</b>			
Trade payables	10	6,126	3,475
Accrued charges and other payables		178,642	147,720
Dividend payable		3,659	–
Advance from a non-controlling shareholder		37,811	37,811
Borrowings	11	106,410	88,262
Current tax liabilities		3,772	2,552
		<b>336,420</b>	<b>279,820</b>
<b>Net Current Assets</b>		<b>45,748</b>	<b>71,368</b>
<b>Total assets less current liabilities</b>		<b>624,166</b>	<b>640,684</b>

**Condensed Consolidated Statement of Financial Position (continued)**

		<b>As at 30 June 2011 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2010 HK\$'000 (Audited)</b>
<b>Non-current liabilities</b>			
Borrowings	11	–	24,036
Deferred tax liabilities		<b>8,316</b>	7,520
		<b>8,316</b>	31,556
<b>NET ASSETS</b>		<b>615,850</b>	609,128
<b>Capital and reserve</b>			
Share capital	12	<b>60,991</b>	60,991
Other reserves		<b>318,744</b>	320,619
Retained profits		<b>65,501</b>	55,195
Proposed final dividend		–	3,659
Equity attributable to owners of the company		<b>445,236</b>	440,464
Non-controlling interests		<b>170,614</b>	168,664
<b>TOTAL EQUITY</b>		<b>615,850</b>	609,128

**Condensed Consolidated Cash Flow Statement – unaudited**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow/(outflow) from operating activities	<b>(23,303)</b>	32,848
Net cash inflow/(outflow) from investing activities	<b>(19,546)</b>	(69,096)
	<hr/>	<hr/>
Net cash inflow/(outflow) before financing activities	<b>(42,849)</b>	(36,248)
Net cash inflow from financing activities	<b>14,492</b>	12,819
	<hr/>	<hr/>
Increase/(Decrease) in cash and cash equivalents	<b>(28,357)</b>	(23,429)
Cash and cash equivalents at 1 January 2011	<b>57,234</b>	57,855
	<hr/>	<hr/>
Cash and cash equivalents at 30 June 2011	<b>28,877</b>	34,426
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	<b>31,919</b>	34,426
Bank overdraft	<b>(3,042)</b>	–
	<hr/>	<hr/>
	<b>28,877</b>	34,426
	<hr/> <hr/>	<hr/> <hr/>

**Condensed Consolidated statement of changes in equity – unaudited**

Movements in the share capital and reserves of the Group were as follows:

	Share Capital	Share premium	Capital reserve	Foreign Currency Translation reserve	Retained Profit	Proposed Dividend	Attributable to owners of the Company	Non- Controlling interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	60,991	288,603	(1,628)	33,644	55,195	3,659	440,464	168,664	609,128
Total comprehensive income for the period	-	-	-	(1,875)	10,306	-	8,431	1,799	10,230
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	151	151
Final Dividend	-	-	-	-	-	(3,659)	(3,659)	-	(3,659)
At 30 June 2011	60,991	288,603	(1,628)	31,769	65,501	-	445,236	170,614	615,850



**Condensed Consolidated statement of changes in equity – unaudited**

Movements in the share capital and reserves of the Group were as follows:

	Share Capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Foreign Currency Translation reserve <i>HK\$'000</i>	Retained Profit <i>HK\$'000</i>	Proposed Dividend <i>HK\$'000</i>	Attributable to owners of the Company <i>HK\$'000</i>	Non- Controlling interests <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
At 1 January 2010	50,826	298,768	(1,628)	16,295	40,358	9,657	414,276	141,510	555,786
Total comprehensive income for the period	-	-	-	(160)	8,398	-	8,238	(4,902)	3,336
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	27,272	27,272
Dividend Paid	-	-	-	-	-	(9,657)	(9,657)	-	(9,657)
At 30 June 2010	50,826	298,768	(1,628)	16,135	48,756	-	412,857	163,880	576,737

**Notes:****1. Basis of preparation and Accounting Policies**

The condensed interim financial information has been prepared in accordance with the applicable disclosure provisions of Chapter 16 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2011 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2010 except for the following amendments and interpretations ("New HKFRSs") issued by HKICPA which are or have become effective.

The Group has adopted the standards, amendment and interpretations that have been issued and effective for the accounting periods beginning on or after 1 January 2011. The adoption of such standard, amendment, and interpretations did not have material effect on those results.

**2. Segment Information**

The Group has dividend into two operating segments, namely plastic woven bags and coal trading. These segments are managed separately as each business offers different products and services.

<b>As at the period ended 30 June 2011</b>	<b>Bags HK\$'000</b>	<b>Coal HK\$'000</b>	<b>Total HK\$'000</b>
<b>REVENUE</b>			
Results	<u>145,248</u>	<u>121,717</u>	<u>266,965</u>
<b>Segment results</b>	<b>18,806</b>	<b>3,472</b>	<b>22,278</b>
Unallocated corporate revenue			–
Unallocated corporate expense			<u>(3,785)</u>
Operation profit excluding interest income/expenses			<b>18,493</b>
Interest income			5
Interest expenses			<u>(260)</u>
Profit before taxation			<u><b>18,238</b></u>
As 30 June 2011			
Segment Assets	<u>323,358</u>	<u>737,350</u>	<u>1,060,708</u>
Segment Liabilities	<u>77,654</u>	<u>356,504</u>	<u>434,158</u>
<b>As at the period ended 30 June 2010</b>	<b>Bags HK\$'000</b>	<b>Coal HK\$'000</b>	<b>Total HK\$'000</b>
<b>REVENUE</b>			
Results	<u>111,658</u>	<u>32,959</u>	<u>144,617</u>
<b>Segment results</b>	<b>22,006</b>	<b>(9,393)</b>	<b>12,613</b>
Unallocated corporate revenue			–
Unallocated corporate expense			<u>(3,088)</u>
Operation profit excluding interest income/expenses			9,525
Interest income			18
Interest expenses			<u>(674)</u>
Profit before taxation			<u><b>8,869</b></u>
As 30 June 2010			
Segment Assets	<u>258,619</u>	<u>543,637</u>	<u>802,256</u>
Segment Liabilities	<u>32,759</u>	<u>138,619</u>	<u>171,378</u>

**3. Turnover**

The Group's turnover which represents sales of plastic woven bags and sales of coal are as follows:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales of plastic woven bags	<b>145,248</b>	111,657
Sales of coal	<b>121,717</b>	32,960
	<b><u>266,965</u></b>	<b><u>144,617</u></b>

No geographical segment information is presented as substantially all the Group's turnover and contribution to operating results were derived from the PRC and substantially all customers and assets are located in the PRC.

**4. Profit for the Period**

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b><u>212,032</u></b>	<b><u>113,512</u></b>
Depreciation of property, plant and equipment	<b><u>13,457</u></b>	<b><u>4,818</u></b>
Operating lease rentals in respect of land and buildings	<b><u>388</u></b>	<b><u>388</u></b>

**5. Income tax expense**

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the six months ended 30 June 2011.

The subsidiary, Changchun Yicheng Packaging Company Limited ("Changchun Yicheng"), operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise (中華人民共和國外商投資企業和外國企業所得稅法) (the "PRC Income Tax Law").

The subsidiary, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("Jinyuanli"), operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with the PRC Income Tax Law. No provision for enterprise income tax has been made as it has no assessable profit for the six months ended 30 June 2011.

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

**6. Dividend**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011. (2010:HK0.5cent per share)

**7. Earnings per share**

*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 six months ended 30 June 2011 attributable to equity shareholders of the Company of HK\$10,306,000 respectively (Profit attributable to the equity shareholders for the corresponding period in 2010: HK\$8,398,000) and the weighted average number of ordinary shares of 609,914,880 (2010: 609,914,880) in issue during the period.

*Diluted earnings per share*

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the period ended 30 June 2011 and 30 June 2010.

**8. Property, plant and equipment**

During the six months ended 30 June 2011, the Group had additions to buildings, plant and equipment, and construction in progress of approximately HK\$23,838,000 (2010: HK\$69,430,000).

**9. Trade receivables**

As at 30 June 2011, the aging analysis of trade receivables were as follows:

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
Current to 90 days	105,637	56,698
91 to 180 days	12,897	1,333
181 to 270 days	3,759	24,081
271 to 360 days	-	-
Over 360 days	-	-
	<b>122,293</b>	<b>82,112</b>

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

**10. Trade payables**

As at 30 June 2011, the aging analysis of trade payables were as follows:

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
Current to 90 days	6,121	3,454
91 to 180 days	-	16
181 to 270 days	-	-
271 to 360 days	-	-
Over 360 days	5	5
	<b>6,126</b>	<b>3,475</b>

**11. Borrowings**

The analysis of the carrying amount of the Groups borrowings is as follows:

	<b>30 June 2011</b>	31 December 2010
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current liabilities</b>		
Bank overdrafts	3,042	2,866
Portion of bank loans due for repayment within one year	89,176	81,596
Portion of bank loan due for repayment after one year which contain a repayment on demand clause	1,900	3,800
Loan from a related company	12,292	—
	<u>106,410</u>	<u>88,262</u>
<b>Non-current liabilities</b>		
Other loan	—	12,095
Loan from a related company	—	11,941
	<u>—</u>	<u>24,036</u>
	<u>106,410</u>	<u>112,298</u>

Loan from a related company is unsecured, interest bearing at 6% per annum and repayable on 31 March 2012. The Company is related to the extent that Mr. Zhang Chao Liang, executive director of the Company, has control over the related company.

**12. Share capital**

	<b>Authorised Ordinary shares of HK\$ 0.10 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
As at 31 December 2010 and 30 June 2011	<u>1,200,000,000</u>	<u>120,000</u>
	<b>Issued and fully paid Ordinary shares of HK\$ 0.10 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
As at 31 December 2010 and 30 June 2011	<u>609,914,880</u>	<u>60,991</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

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The Group is principally engaged in production and sales of plastic woven bags and barrels and sales of coal in the PRC.

## FINANCIAL REVIEW AND BUSINESS REVIEW

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The Group recorded a turnover of approximately HK\$266,965,000 for the six months ended 30 June 2011 representing an increase of approximately 85% as compared with the corresponding period in 2010. A net profit of approximately HK\$10,306,000 for the six months ended 30 June, 2011, as compared with a net profit of approximately HK\$8,398,000 for the six months ended 30 June 2010, representing an increase of 23% as compared with the corresponding period in 2010. The result of coal business as reflected in the segmental information included loss in sales of Jinyuanli of approximately HK\$1.39 million and profit from distribution of coal by DeFeng in the PRC of approximately HK\$4.86 million.

For the six months ended 30 June 2011, Changchun Yicheng's tax benefit was expired and increasing raw material costs affected the overall profit margin. A segment profit of approximately HK\$18,806,000 for the six months ended 30 June, 2011 as compared with a segment profit of approximately HK\$22,006,000 for the six month ended 30 June 2010 was recorded, representing a decrease of 14.5% as compared with the corresponding period in 2010.

During the period, Jinyuanli was under the overall examination and acceptance stage and had passed all the examination. The formal approval license is underway and is expected to be issued before the end of this year.

In this period, Jinyuanli had a segment loss of HK\$1.39 million for the six months ended 30 June, 2011 as compared with a segment loss of approximately HK\$12.7 million for the six months ended 30 June 2010, representing a sharp decrease of HK\$11.3 million as compared with the corresponding period in 2010. The total output of Jinyuanli in this period was 360,913 tons as compared with 45,971 tons of the corresponding period in 2010 and the total sales of coal of 356,793 tons in this period as compared with 20,000 tons of the corresponding period in 2010.

During the period, excavation of section 8101 of the eighth layer of the underground coal mine had been finished. Excavation machinery and equipment would be moved to section 8102 to continue mining for another half a year. Excavation of the tenth layer of the underground coal mine is expected to commence in 2012.

In this period, De Feng continued sourcing coal from independent coal supplier apart from Yuen Yuen. In order to meet the funding requirement for coal trading business, De Feng had applied for a short term bank loan of RMB24,800,000 which was secured by De Feng's account receivables to increase the working capital for purchasing coal.

## LIQUIDITY AND FINANCIAL RESOURCES

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As at 30 June 2011 the Group's gearing ratio was 0.23 which is based on the division of total debts by Total Equity and the Group's liquidity ratio was 1.14.

The Group's sales and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. Since the exchange rate fluctuation between Hong Kong dollars and Renminbi has not been material, foreign exchange risk is very low and no hedging has been undertaken.

As at 30 June 2011, the Group did not have any material contingent liability and capital commitments (2010: HK\$27,707,000)

## EMPLOYEES

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The Group employed 1,136 full time employees as at 30 June 2011. Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programs and housing allowances.

## CAPITAL STRUCTURE AND MATERIAL ACQUISITION

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During the six months ended 30 June 2011, the short term bank loan of RMB24,800,000 is secured by Defeng's account receivables. Changchun Yicheng has a loan facility of RMB60,000,000 which is secured by the Company's corporate guarantee, pledged bank deposit and the Group's buildings in Changchun. As at the end of the period, the Group has already drawn down RMB47,351,000 for working capital purpose. The bank overdraft of approximately HK\$3,042,000 is secured by fixed deposit of HK\$7,000,000 of DeTeam Company Limited and HK\$5,822,000 is secured by the guarantee issued by the Company and the Government of Hong Kong Special Administrative Region. Save as disclosed, the Group did not have any charges on its assets, and there were no changes in the Company's authorized share capital.

## PROSPECTS

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Changchun Yicheng remains the main source of profit of the group, the group will continue to strictly control costs and keep negotiating with the customers on the pricing of bag in order to catch up and transfer the increment range to the customers.

After a construction period of almost five years, Jinyuanli will be the other main source of income for the group in future. Although the output of production and the quality of coal is less than satisfactory from the eighth layer of the underground coal mine, we expect a significant improvement will be made after the commencement of the excavation of the tenth layer of the underground coal mine.

Due to great demand of electricity in China, the prospects for the coal industry is enormous. The Board will continue to seek out coal investment opportunities with the aim to bring satisfactory reward to the shareholders.



## **COMPETING INTEREST**

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

## **AUDIT COMMITTEE**

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The audit committee, which comprises three members, Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Yu Yang, all of them are independent non-executive directors, the primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the group. The audit committee has reviewed the Group's unaudited Interim Accounts for the six months ended 30 June 2011.

## **CORPORATE GOVERNANCE**

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During the six months ended 30 June, 2011, the Company has complied with the requirement of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE**

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The Company has adopted the Own Code which covers the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct governing the directors' dealings in the Company's securities. Having made specific enquiries with all the Directors, they all confirmed that they have complied with the required standards set out in the Own Code (covering the Model Code) throughout the period under review.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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The Company has not redeemed any of its shares during the six months ended 30 June 2011. Neither the Company nor any of its subsidiaries has purchased, sold any of the Company's shares.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at <http://www.irasia.com/listco/hk/deteam/index.htm> The 2011 Interim Report will be available on both websites and dispatched to Shareholders in due course.

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

Hong Kong, 25 August 2011

*As at the date of this report, the Board comprises Executive Directors, being Mr. Mak Shiu Chung, Godfrey, Mr. Xu Bin, Mr. Zhang Chao Liang, Mr. Wang Hon Chen and Independent Non-Executive Directors Mr. Kwok Chi Shing, Mr. Tsang Wai Sum, Mr. Yu Yang.*