弘海有限公司
DeTeam Company Limited*

Incorporated in the Cayman Islands with limited liability
Stock code : 65

Annual Report 2014

Resources
Optimization
by *Proven Technologies*

* *For identification purpose only*

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Corporate Profile

Board of Directors
Executive Directors
Mr. XU Bin *(Chairman)*
Mr. TSE Kam Fow *(Deputy Chairman)*
Mr. ZHANG Fusheng *(Chief Executive Officer)*
Mr. WANG Hon Chen
Mr. NG Ying Kit

Independent Non-Executive Directors
Mr. KWOK Chi Shing
Mr. KWOK Siu Man
Mr. HUANG Shao Ru

Compliance Officer
Mr. NG Ying Kit

Company Secretary
Ms. WAN Shui Wah

Authorised Representatives
Mr. TSE Kam Fow
Mr. ZHANG Fusheng

Audit Committee Members
Mr. KWOK Chi Shing *(Chairman)*
Mr. KWOK Siu Man
Mr. HUANG Shao Ru

Remuneration Committee
Mr. KWOK Siu Man *(Chairman)*
Mr. TSE Kam Fow
Mr. HUANG Shao Ru

Nomination Committee
Mr. KWOK Siu Man *(Chairman)*
Mr. TSE Kam Fow
Mr. HUANG Shao Ru

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Codan Trust Company (Cayman) Limited
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Corporate Website
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255-257 Gloucester Road
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Principal Share Registrar and Transfer Office
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers
China Citic Bank International Limited
Hang Seng Bank

Independent Auditor
RSM Nelson Wheeler
Certified Public Accountants

Legal Advisers
As to Hong Kong Law:
Michael Li & Co.

As to Cayman Islands Law:
Conyers Dill & Pearman

Stock Code
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Resources Optimization by *Proven Technologies*

We strive to become a fully integrated enterprise, using state-of-arts facilities to optimise the value of diverse resources through the application of patents and technologies.

Chairman's Statement

This is my first address as the chairman of DeTeam Company Limited (the "**Company**") (together with its subsidiaries, collectively referred to as the "**Group**") to the dearest members of the Company.

The primary objective of the Group's management over the past few years was to diversify the Group's earnings base and income source. The Group has now succeeded in building a sustainable business model tapping the natural resources sector, with extensive investments in coal production and technology-based coal upgrading business.

Our strategy and determination in building an integrated platform to manage coal resources has begun to generate meaningful results. Starting from February 2014, the Group's coal production site in Huolinguole City, Inner Mongolia, the People's Republic of China (the "**PRC**") commenced full operation, its performance has made the coal production business a remarkable contributor to the Group's turnover and profit, with its sales accounting for the largest share of the Group's total turnover respective to the past year.

Our management's emphasis on efficiency enhancement and stringent cost control was the major factor for the satisfactory performance of the coal production business in 2014, as it had resulted in optimization in output and profitability of the coal production site in Huolinguole City, Inner Mongolia, the PRC. Such proven success nourishes the Group with confidence and strength to drive further sustainable growth in the business.

Nevertheless, our advancement in coal production was overshadowed by the discouraging performance of the Group's plastic bags and barrels manufacturing business and the corresponding impairment loss. Hence, the Group continued to suffer an overall loss in 2014.

The initiatives of our pilot plant set up in Dehui City, Jilin Province, the PRC (the "**Dehui Plant**") in 2011, as specifically designed for the provision of low-rank coal upgrading services to the customer, were to turn on the ignition for our licensed coal upgrading technologies to run. Serving the customer on its energy need in production, the applied know-how has been proven to be feasible and highly effective. The operations have provided the Group with the unique opportunity in the application of the licensed technologies, and valuable experience in the running of the custom-built production facility as well.

Embracing the success in the coal upgrading operations in the Dehui Plant, the Group has now moved on to the construction of a plant at Xilinhaote City, Inner Mongolia, the PRC (the "**Xilinhaote Plant**"), with an annual capacity of 3,000,000 metric tonnes in processing low-rank coal and 2,000,000 metric tonnes in upgraded coal output.

The Group's business of manufacture and sale of plastic woven bags, paper bags and plastic barrels suffered from drastically reduced orders from major customers. The drop in turnover and higher manufacturing costs had sliced the gross profit margin, and led to increased loss of the Group. Given the relatively low barrier of entry and the vulnerability to raw material costs in this industry, the Group realizes that it does not have a distinct edge in this sector.

In view of the circumstances, the management believes that the Group should better utilize its resources and experiences in such areas of sector and business where it can expedite its growth in scale and strength in the long run.

The recent changes in our board of directors of the Company (the "**Board**") have brought to the Group talents with diverse expertise. Their professional backgrounds and dedication will further strengthen the Group's strategic planning, financial management as well as corporate governance, and steer the Group forward.

Despite the losses suffered by the Group in recent years, its financial position remains healthy. The management's effort in strengthening corporate management and improving cost-efficiency is beginning to produce positive effects to the Group. We are gradually building a solid platform for resources and technologies-based businesses, which will enable the Group to extend its business reach and expand its income source. We shall progress in existing operations that we have had our niche and we shall capitalize on our niche in future projects. I am confident that the Group is moving towards the right direction and its strategy will eventually contribute value to our shareholders.

Prospects

Coal prices in China and around the globe are expected to stay at a modest level. Nevertheless, due to the massive urbanization and economic development in China, the demand for coal as the major fossil fuel for power and heat generation will remain strong in the foreseeable future.

In light of the Central Government's determination to rectify the country's severe environment pollution problems and to reduce the planet's adverse ecological impacts, tightening restrictions on carbon dioxide emission are expected to be imposed. These trends will boost the demand for cleaner and more efficient coal and other means of fuel.

Adopting to the interweaving opportunities and challenges within the coal industry, the Group is set to further develop its coal business in three streams: technology-based coal upgrading, coal production and coal trading.

In the past few years, the Group has accumulated practical and technical experience as well as valuable operational intelligence from the Dehui Plant. Since 2011, the Dehui Plant has been providing the customer with coal upgrading services for the customer's production plant nearby, which has in the meantime served strategically as our pilot plant to improvise the know-how application of our licensed coal upgrading technologies. With the progressive accumulation of practical and technical experience as well as valuable operational intelligence from the Dehui Plant, the Group has been implementing the construction plan of the Xilinhaote Plant noting significant progress.

As the Dehui Plant continued to provide its services to the customer in 2014, it was running at a relatively low utilization rate due to the customer's reduction in production because the customer had been suffering from geographical disadvantages resulting in higher logistics costs for transporting coal from a distance. Making a strategic move, the Group is planning to discontinue the operation of the Dehui Plant and relocate its machineries and equipment, as for the critical parts and components, to the Xilinhaote Plant.

The Xilinhaote Plant is designed to accommodate production facilities for a maximum capacity of two million tonnes per annum of upgraded coal output. In the first phase implementation which is tentatively scheduled to be completed by the end of 2015, it will build on a capacity of 500,000 tonnes per annum of upgraded coal output. The Group will further implement the later phases for the development of 1.5 million tonnes upgraded coal output capacity upon optimum utilization of the production facilities in the first phase.

Inner Mongolia is one of the richest low-rank coal reserves regions in China. Adjacency to such abundant supply of low-rank coal will enable the Xilinhaote Plant to contain purchase cost and the ancillary logistics costs. The territory's composite power policy has successfully raised power consumption from its industrial activities, thus creating stable coal demand from local power plants.

The coal upgrading technologies licensed to the Group have been proven to be highly effective in increasing calorific value and improving product specification. There will be a huge potential market for the low-rank coal upgraded by the Group as their consumption could effectively help to reduce pollutant emission and lower energy cost. Whilst the licensing agreement of the technologies will expire amidst 2015, our management considers that, for the long-term development of the low-rank coal upgrading business, it will be essential for the Group to consider appropriate ways to secure the proprietary rights of the technologies.

On the other hand, the Group's coal production and sale business is now based in Houlinguole City, Inner Mongolia, the PRC where the coal mine (the "**Inner Mongolia Coal Mine**") had in 2014 been operated at optimum efficiency with an output exceeding its designed capacity of 1.2 million tonnes per annum. Following the excavation of the surface layer of coal, the Group will commence long-wall mining into the deeper layers, where the coal yields higher ranking. As the Inner Mongolia Coal Mine will deliver higher rank coal of higher commercial value and the Group will continue to enhance its production efficiency and control the production cost, the Group expects the performance of the coal production and sale business to be promising in the foreseeable future.

Leveraging the prospects and opportunities arising in Inner Mongolia, the Group will consider expediting the development of coal production and coal upgrading businesses via collaboration and cooperation with coal miners in the territory.

Furthermore, the Group is planning to set up an integrated coal trading platform to intensify its coal trading business in China. The Group intends to implement the business model on a light-asset principle, to effectively enlarge the scale of the trading platform by sourcing mine resources in different provinces, partnering with miners in different sets of operating package, and transacting with the end-users on a deal-to-deal basis. Such approach could enable the Group to utilize the best benefits and values of its expertise and resources in the coal market and industry and to optimize the uses of capital.

As to the manufacture and sale of plastic woven bags, paper bags and plastic barrels, the Group is prudent on the future of the business as its revenue is expected to be down going in the foreseeable period. The Group will continue to strengthen its operating efficiency through stringent controls over production cost and precise fine-tuning in the manufacturing processes to avoid further unfavourable impact to the Group's financial performance. While the Group is shifting its business focus towards the natural resources sector, the management will work on initiatives to realign the business and asset portfolio.

Step by step the Group has been realizing its vision to carve a vertically integrated portfolio of resources and technologies-based business and operations comprising mining, technologies development, production and processing, trading and ancillary services. The unfortunate modest coal prices in the market will rival the gross profit margin of the Group's coal production and sale business. However, it also offers an opportunistic and challenging time for the Group to secure coal resources supply for the development of the low-rank coal upgrading business. The healthy outlook of the Inner Mongolia Coal Mine, the upcoming revenue contribution from the Xilinhaote Plant, and the future growth anticipating from the trading platform together have paved a solid foundation for the Group to sustain its business expansion in the natural resource sector.

Xu Bin
Chairman

Financial Highlights

Financial highlights

	2014 HK$'000	2013 HK$'000	Change
Operating Results			
Turnover	**342,943**	286,149	20%
Gross profit	**106,332**	44,862	137%
Other operating expenses	**719**	777	-7%
Finance costs	**11,866**	4,797	147%
Loss for the year attributable the owners of the Company	**(113,109)**	(35,114)	222%
		(restated)	
Loss per share – Basic	**HK(40.98) cents**	HK(13.47) cents	204%
Financial Position			
Total assets	**906,739**	1,017,511	-11%
Bank and cash balances	**105,358**	16,852	525%
Equity attributable to owners of the Company	**458,868**	467,737	-2%
Financial Ratios			
Current ratio	**0.81**	0.89	-9%
Gearing ratio	**22.30%**	31.20%	-29%

Five-Year Financial Summary

The following is a summary of the published consolidated results and 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				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**342,943**	286,149	430,506	494,496	320,430
(Loss)/profit from operations	**(77,459)**	(30,579)	(67,042)	(11,276)	18,744
Finance costs	**(11,866)**	(4,797)	(7,444)	(11,125)	(4,557)
(Loss)/profit before tax	**(89,325)**	(35,376)	(74,486)	(22,401)	14,187
Income tax (expense)/credit	**(20,649)**	(32,827)	10,777	217	184
(Loss)/profit for the year	**(109,974)**	(68,203)	(63,709)	(22,184)	14,371
Attributable to:					
Owners of the Company	**(113,109)**	(35,114)	(25,385)	(2,292)	21,037
Non-controlling interests	**3,135**	(33,089)	(38,324)	(19,892)	(6,666)
	(109,974)	(68,203)	(63,709)	(22,184)	14,371

Five-Year Financial Summary (Continued)

Assets, Liabilities and Equity

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**700,810**	796,487	713,536	642,832	569,316
Current assets	**205,929**	221,024	276,741	276,699	351,188
TOTAL ASSETS	**906,739**	1,017,511	990,277	919,531	920,504
Non-current liabilities	**104,167**	214,383	90,589	59,383	31,556
Current liabilities	**254,117**	247,560	303,848	251,853	279,820
TOTAL LIABILITIES	**358,284**	461,943	394,437	311,236	311,376
NET ASSETS	**548,455**	555,568	595,840	608,295	609,128
Attributable to:					
Owners of the Company	**458,868**	467,737	476,299	453,007	440,464
Non-controlling interests	**89,587**	87,831	119,541	155,288	168,664
TOTAL EQUITY	**548,455**	555,568	595,840	608,295	609,128

Notes:

The results of the Group for the years ended 31 December 2013, 2012, 2011 and 2010 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.

The results of the Group for the year ended 31 December 2014 and of the assets, liabilities and equity of the Group as at 31 December 2014 are those set out on pages 41 and 43 of the audited financial statements respectively.

Financial review

The Group's business of manufacture and sale of plastic woven bags, paper bags and plastic barrels suffered from drastically reduced orders from major customers and contributed approximately 28.3% of the Group's total turnover for the year ended 31 December 2014 (the "**Year**"). The resumption of coal production operations resulted in a significant increase of this segment's turnover, which became the principal source of revenue and profit of the Group for the Year and contributed approximately 70.3% of the Group's total turnover. During the Year, approximately 1.75 million tonnes of coal was produced and approximately 1.66 million tonnes of coal was sold. However, the provision of low-rank coal upgrading services through our indirectly non-wholly owned subsidiary, Changchun Guochuan Energy and Technology Development Co., Ltd. ("**Changchun Guochuan**"), recorded a drop of approximately 82.7% in its turnover as a result of a decrease of service orders from one of the Group's major customers due to its reduction in production and the Group's plan to relocate the operations to Inner Mongolia, the PRC.

Production and sale of coal

The Group recorded a turnover from its coal production and sale business of approximately HK$241,175,000 for the Year, representing an increase of approximately HK$184,878,000 or a growth of approximately 328.4% as compared to a turnover of approximately HK$56,297,000 last year. The increase in turnover from coal production and sale business was due to the resumption of coal production operations and accordingly the increase in the sales volume. The sales volume of coal increased to approximately 1.66 million tonnes in 2014 from approximately 320,000 tonnes in 2013, principally as a result of the increase in coal output upon the resumption of production operations of the Inner Mongolia Coal Mine in February 2014. Coal trading operations of this segment remained at a minimal level due to unjustifiable profit margin during the Year.

This business segment resumed profitability and reported a gross profit margin of approximately 44.4% for the Year as opposed to a gross loss for last year. The improvement was attributable to the implementation of effective costs control measures in the mining operations and the increased production capacity, which reduced the unit production cost.

Manufacture and sale of plastic woven bags, paper bags and plastic barrels

The Group recorded a turnover of approximately HK$97,126,000 for its manufacturing and sale of plastic woven bags, paper bags and plastic barrels business segment during the Year. The amount represented a decrease of approximately HK$105,889,000 or a drop of approximately 52.2% as compared to a turnover of approximately HK$203,015,000 last year. The decline was mainly attributable to the reduction of orders from its major customers.

The gross profit margin of this segment decreased from approximately 24.4% last year to approximately 5.6% for the Year mainly attributed to (i) the increase in staff costs; (ii) the allowance for inventories; and (iii) the depreciation charges on property, plant and equipment.

Financial review (Continued)

Provision of low-rank coal upgrading services

The Group reported a turnover of approximately HK$4,642,000 for the provision of low-rank coal upgrading services business segment for the Year. The amount represented a decrease of approximately HK$22,195,000 or a drop of approximately 82.7% as compared to a turnover of approximately HK$26,837,000 last year. The decrease was mainly attributable to the decline in service orders from its customers.

This segment reported a gross loss for the Year due to the retreat in turnover.

Selling and distribution expenses

The selling and distribution expenses of the Group were approximately HK$21,966,000 for the Year, representing an increase of approximately HK$18,742,000 or approximately 581.3% as compared to approximately HK$3,224,000 last year. The increase was mainly due to the hike in logistics charges related to the coal production and sale business, generally in line with the growth in the turnover of the Group's coal production business.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK$78,585,000 for the Year, representing an increase of approximately HK$11,393,000 or approximately 17.0% as compared to approximately HK$67,192,000 last year. The surge in administrative expenses was mainly attributed to increases of depreciation charges by approximately HK$5,001,000, and staff costs by approximately HK$12,361,000, combining the effect of decrease in mine safety service fee by approximately HK$2,315,000, and in other miscellaneous expenses by approximately HK$3,654,000 during the Year.

Impairment of property, plant and equipment and trade and other receivables

Impairment loss for the trade and other receivables mainly represents (i) the impairment loss of the trade receivables amounting to approximately HK$72,883,000 associated with the manufacture and sale of plastic woven bags, paper bags and plastic barrels business segment due to management's opinion that the chance to recover those receivables would be relatively low, and (ii) the impairment loss of property, plant and equipment amounted to approximately HK$16,193,000 associated with the provision of low-rank coal upgrading services business segment due to the management's plan to relocate certain machineries and equipment from the Dehui Plant to the Xilinhaote Plant.

Finance costs

Finance costs of the Group were approximately HK$11,866,000 for the Year, representing an increase of approximately HK$7,069,000 or approximately 147.4% as compared to approximately HK$4,797,000 last year. The increase was mainly due to (i) the full-year interests borne by the Group for the loans utilised by the year end of 2013, and (ii) the increase in imputed interest expenses.

Financial review (Continued)

Loss for the Year

Net loss attributable to the owners of the Company increased to approximately HK$113,109,000 for the Year as compared to approximately HK$35,114,000 last year. As mentioned above, the loss for the Year was mainly attributed to (i) the combined effect of the increase in gross profit of the coal production and sale business, and the decrease in gross profit of the manufacture and sale of plastic woven bags, paper bags and plastic barrels business and the provision of low-rank coal upgrading services business; and (ii) the impairment losses of various assets of the Group.

Loan from a director

On 2 January 2014, the Company as the borrower, entered into a loan agreement with Mr. Xu Bin, presently the Chairman, an executive director and a substantial shareholder of the Company ("**Mr. Xu**") as the lender, for an unsecured loan of HK$4,000,000 at an interest rate of 5% per annum. This loan, which has been applied as general working capital of the Company, will be repayable on 31 December 2015.

On 24 March 2014, Beijing Guochuan New Energy Development Co., Ltd., ("**Beijing Guochuan**"), an indirect wholly-owned subsidiary of the Company, as the borrower, entered into a loan agreement with Mr. Xu as the lender, for an unsecured and interest-free loan of RMB20,000,000 (approximately HK$25,000,000) as general working capital. The repayment date of this loan had been extended to 31 October 2017.

On 5 May 2014, the Company as the borrower, entered into a loan agreement with Mr. Xu as the lender, for an unsecured loan of HK$1,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 30 June 2016.

On 7 May 2014, the Company as the borrower, entered into a loan agreement with Mr. Xu as the lender, for an unsecured loan of HK$3,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 31 March 2016.

On 8 May 2014, the Company as the borrower and Mr. Xu as the lender entered into a loan agreement pursuant to which Mr. Xu agreed to grant an unsecured and interest bearing loan up to 8 tranches with an aggregate principal amount of up to HK$200,000,000 to the Company during the availability period at an interest rate of 5% per annum.

Financial review (Continued)

Capital structure, liquidity and financial resources

Pursuant to an ordinary resolution passed on 20 October 2014, every 5 ordinary shares of HK$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.50 (the "**Consolidated Share**") each in the issued and unissued share capital of the Company (the "**Share Consolidation**").

On 4 December 2014, 229,238,583 ordinary shares of HK$0.50 each were issued by way of an open offer on the basis of one offer share for every one Consolidated Share. The shares rank pari passu in all aspects with the ordinary shares of the Company in issue on that date (the "**Open Offer**").

As a result of the Share Consolidation and the issue of new shares by way of an Open Offer during the Year, the Company has a total issued share capital of approximately HK$229,239,000 comprising 458,477,166 issued shares as at the date of this annual report. For details, please refer to (i) the Company's circular dated 30 September 2014 regarding the Share Consolidation and (ii) the Company's prospectus and announcement dated 10 November 2014 and 3 December 2014, respectively, regarding the Open Offer.

As at 31 December 2014, the Group's aggregate amount of (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$113,296,000 (2013: HK$24,969,000). The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

As at 31 December 2014, the Group's total borrowings represented by (i) loans from non-controlling shareholders; (ii) loans from a director; and (iii) other loans, totaled to approximately HK$122,540,000 (2013: HK$173,117,000). As at the above date, the Group's total gearing ratio was approximately 22.3% (2013: 31.2%). The gearing ratio was calculated as the Group's total borrowings divided by total equity. The current ratio of the Group for the Year was approximately 0.81 (2013: 0.89).

Pledge of Assets

As at 31 December 2014, the Group had no pledge of assets (2013: Nil).

Foreign currency risk

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

Contingent liabilities

As at 31 December 2014, the Group did not have any material contingent liabilities (2013: Nil).

Employee information

As at 31 December 2014, the Group had a total of 919 (2013: 1,046) full-time employees. The Group has entered into employment contracts with all of its employees. The remuneration package for its staff comprises monthly salary, provident fund contributions, medical claims, training programmes, housing allowances, discretionary bonus and discretionary options based on their contributions to the Group.

During the Year, the Group did not experience any significant labour disputes which led to the disruption of its normal business operations. The Board considers the Group's relationship with its employees to be good.

Profiles of Directors and Senior Management

Executive Directors

Mr. Xu Bin, *Chairman*
Aged 49, was appointed as an Executive Director of the Company in August 2009 and re-designated as the Chairman of the Company in February 2015. Mr. Xu pursued his studies at the Faculty of Finance in Jilin University, the PRC and has over 15 years of experience in financial management and extensive experience in corporate operation and management. As the Chairman of the Company, Mr. Xu leads and takes primary responsibility in setting the Company's growth strategy in the PRC and its continued development direction. He heads strategic initiatives and contributes to the Company's strategic decision making process. Mr. Xu has held directorships in various subsidiary companies of the Group.

Prior to joining the Group, Mr, Xu was the general manager of Hainan Dongyuan Industrial Company Limited.

Mr. Tse Kam Fow, *Deputy Chairman*
Aged 55, was appointed as an Executive Director and the Deputy Chairman of the Company in February 2015. He is principally responsible for the overall corporate management and control and the strategic formulation and implementation of corporate development and financing plan of the Group. He also serves as a member of the Nomination Committee and the Remuneration Committee of the Company respectively and holds directorships in various subsidiary companies of the Group. Mr. Tse graduated from the Hong Kong Polytechnic University and is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. He is a certified public accountant and certified tax advisor practising in Hong Kong with wide experience in most areas of accounting, taxation and audit. Mr. Tse's practice also includes corporate consulting and investment advisory work, specializing in management consulting, business restructuring, corporate mergers and acquisitions, leveraged buyouts, direct investments and joint ventures and advising on projects throughout the PRC, Hong Kong, Taiwan and Singapore.

Mr. Tse has since June 2007 acted as an independent non-executive director of FDG Electric Vehicles Limited (stock code: 729), a company whose shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Mr. Zhang Fusheng, *Chief Executive Officer*
Aged 42, was appointed as an Executive Director and the Chief Executive Officer of the Company in June 2013. He holds a Master's degree of Nanyang Executive MBA from the Nangyang Technological University and has extensive working experience in management and leadership role. Mr. Zhang is responsible for overseeing the operations of the Group and holds directorships in various subsidiary companies.

During September 2010 to March 2012, Mr. Zhang was an executive director of Global Biochem Technology Group Company Limited (Stock Code: 809), a company whose shares are listed on the Stock Exchange.

Executive Directors (Continued)

Mr. Wang Hon Chen

Aged 54, joined the Company as an Executive Director in January 2007. He is the general manager of Changchun Yicheng Packing Company Limited, an indirect wholly owned subsidiary of the Company, wholly responsible for overseeing the factory operations with such specific responsibilities of product development, production processes and technical and safety management. He has over 27 years of experience in the production field.

Mr. Wang is a member of the People's Congress in Luyuan District, Changchun City, Jilin Province, the PRC.

Mr. Ng Ying Kit

Aged 37, joined the Company as the Vice President, Business Development and Corporate Finance in June 2014, and was appointed as an Executive Director and the Compliance Officer of the Company in February 2015. He is mainly responsible for business development and corporate finance function of the Group and holds directorships in various subsidiary companies. Mr. Ng has more than 10 years of experience in corporate finance and investment banking and has considerable experience in mergers and acquisitions, debt and equity financing and corporate strategic planning. Prior to joining the Company, he held senior management position in a Hong Kong listed company overseeing corporate finance function. Mr. Ng graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering.

Independent Non-executive Directors

Mr. Kwok Chi Shing

Aged 52, has been appointed as an Independent Non-executive Director of the Company since January 2006. He is also the Chairman of the Audit Committee. Mr. Kwok graduated from the University of Aberdeen, England in 1986 and obtained a Master of Arts in Accountancy with Economics with Honours, and 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 international cross border transactions, real estate development and property management industries and he was the president of the Hong Kong Association of Financial Advisors. In addition, he has extensive experience in public sector work both in Hong Kong and the PRC.

Mr. Kwok is currently the managing partner of LKKC CPA Limited.

Independent Non-executive Directors (Continued)

Mr. Kwok Siu Man

Aged 56, was appointed by the Company as an Independent Non-executive Director and the Chairman of both the Nomination Committee and the Remuneration Committee respectively, and a member of the Audit Committee in February 2015. Mr. Kwok has over 25 years' extensive legal, corporate secretarial and management experience gained from the positions of company secretary and other senior positions in reputable companies in Hong Kong and overseas (which include the Hang Seng Index and Hang Seng Mid-Cap 50 Constituent stock companies). Mr. Kwok possesses professional qualifications in arbitration, taxation, securities and investment, financial planning and human resources management and is a fellow member of the Hong Kong Institute Chartered Secretaries, The Institute of Chartered Secretaries and Administrators in England, The Institute of Financial Accountants in England, The Association of Hong Kong Accountants as well as The Hong Kong Institute of Directors. Mr. Kwok also holds a Bachelor of Arts degree and a Post-graduate Diploma in laws.

Mr. Kwok is currently a director of Boardroom Share Registrars (HK) Limited and the head of corporate secretarial of Boardroom Corporate Services (HK) Limited. In addition, he serves a number of Hong Kong listed company either in the capacity of company secretary or joint company secretary.

Mr. Huang Shao Ru

Aged 42, was appointed as an Independent Non-executive Director of the Company in April 2013. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company respectively. Mr. Huang graduated from the school of Distance Education of Beijing Jiaotong University, majoring in business and administration and has over 22 years of managerial and international trade experience.

Mr. Huang has been serving as a director and the general manager in Xinhu Industry Co., Ltd. since January 2003.

Senior Management

Ms. Wan Shui Wah

Aged 35, is the Group Financial Controller and Company Secretary of the Company. She joined the Company and was appointed to the position in February 2015. Ms. Wan received a Bachelor's degree in Accounting from the Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants. She has extensive experience in the auditing, accounting and finance fields.

Mr. Yeung Man

Aged 43, is the Vice President, Financial Management & Control of the Group. Mr. Yeung joined the Group in July 2014 and is responsible for the financial management and internal control of the PRC operations of the Group. He graduated from the University of Georgia, the United States of America with a Bachelor's degree in Accounting and a Bachelor's degree in Finance and Banking. Mr. Yeung is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He has over 18 years of experience in auditing, finance, accounting and business management.

Senior Management (Continued)

Ms Huo Li Jie

Aged 49, the financial director of the Group's indirect wholly owned subsidiary, Xilinhaote City Guochuan Energy Technology Development Co. Ltd. Ms. Huo graduated from the Nankai University in 1988 with a major in economics. Prior to joining the Group in May 2012, Ms. Huo served as financial controller in banking and chemical industry companies and has more than 20 years of experience in capital operation and financial management.

Mr. Sun Jing Hui

Aged 52, the general manager of the Group's indirect wholly owned subsidiary, Xilinhaote City Guochuan Energy Technology Development Co. Ltd. Mr. Sun graduated from East China Institute of Technology (formerly known as East China Geological Institute) in 1984. Prior to joining the Group in May 2012, Mr. Sun served as the Manager in Northeast China Bureau of geology and chemical based company and has more than 20 years of experience in production, operation and management.

Mr. Cong Yue Sheng

Aged 58, the general manager of the Group's indirect non-wholly owned subsidiary, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited. Mr. Cong graduated from the Xi'an University of Science and Technology (formerly known as the Xi'an Institute of Mining and Technology) in PRC in 1978 major in mining engineering. Prior to joining the Group in September 2011, Mr. Cong worked in Heilongjiang Province Jixi Mining Bureau and has more than 35 years of experience in the operation and management of the coal industry.

Mr. Wang Yun Lung

Aged 51, the financial director of the Group's indirect non-wholly owned subsidiary, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited. Mr. Wang graduated from the Jilin Radio and TV University in 1989 major in financial accounting. Prior to joining the Group in August 2007, Mr. Wang served as financial controller in construction and technology development companies and has more than 25 years of experience in financial management.

Corporate Social Responsibility Report

The Group's scope of business includes the production and sale of plastic woven bags and coal as well as the low-rank coal upgrading business. The Company has always been in compliance with corresponding legal requirements regarding safety, environment and occupational health issues.

Health and Safety

Employees are invaluable assets of the Company and the Company attaches high importance to the life and health of each of our staff. In order to be familiar with the operation of relevant machineries and devices, all new comers are required to take induction training sessions for a specific period of time. Regardless of job duties, our staff will be provided with operation equipment with the highest safety standard for daily use so as to avoid accidents or injuries. In addition, weekly meetings will be held to ensure our staff being provided with updated materials on safety. We also organize leisure activities for our staff for the sake of releasing working pressure. Besides, in respect of miners working in the Inner Mongolia Coal Mine, all of them are required to carry positioning devices before entering the underground mine. Furthermore, a number of surveillance cameras are installed in the work space, so that our operation can be monitored in the master control room.

Environment and Social Responsibility

Environment protection is not only an obligation of a responsible corporate, it is also a social responsibility.

The coal upgrading technologies licensed to the Group have been proven to be highly effective in increasing calorific value and improving product specification. The technologies, features include:

1) after upgrading, approximately 3,000 tonnes per every 10,000 tonnes of raw coal can be saved, thus contributing to a higher utilization rate of coal in China;

2) ash removal rate (calculation of which is based on the thermal value) of upgraded low-rank coal will be 30%, which can increase the thermal value significantly; as a result, the working efficiency of our coal mining equipment and the thermal efficiency of coal will be improved; besides, self-combustion of coal can be avoided, thereby facilitating the transportation and storage of coal; and

3) waste water after treatment meets the Class 1 emission standard of China and a portion of treated waste water will be used as supplementary water for boilers; accordingly, "zero" demand for water resource is attained in respect of the whole set of equipment and it is highly efficient for environment protection.

The Xilinhaote Plant is under construction and the Group is planning to relocate the Dehui Plant's machineries and equipment, as for the critical parts and components, to the Xilinhaote Plant to continue the operation. In order to build an ecological civilization and "beautiful China", the Group also put on efforts in pollution control during relocation and implementation at the trial production stage to minimize adverse effects on the environment.

In light of this, the Group will be committed to spare no effort to develop clean and environmental friendly energy to contribute to the green environment in China.

Corporate Governance Report

Corporate governance

The Company is maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interest of its shareholders as a whole. The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), save for the deviation from code provision A.4.1 of the CG Code.

Code provision A.4.1 of the CG Code

Non-executive directors should be appointed for a specific term, subject to re-election. Our independent non-executive directors (the "**INEDs**") who held such offices as at 31 December 2014 are not appointed for a specific term. However, certain of the directors (including executive and non-executive) of the Company (the "**Directors**") are subject to retirement by rotation at least once every three years at the annual general meeting of the Company (the "**AGM**"). The newly appointed Directors (including executive and non-executive) appointed for a specific term are subject to re-election upon expiry of their term of service and by rotation at least once every three years at the AGM. The Board believes that this retirement by rotation requirement serves the same purpose as that of code provision A.4.1.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

Directors' securities transactions

The Company has adopted a code of conduct regarding the Directors' securities transactions (the "**Securities Code**") on terms no less exacting than the required standard of dealings contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Following the specific enquiries made by the Company of the Directors, all the Directors have confirmed that they had complied with the required standard of dealings and the Securities Code by the Directors throughout the Year.

Board of Directors and Board meetings

The Board 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 to the management include the preparation of annual and interim financial statements for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Board members

As at 31 December 2014, the Board comprised seven Directors, including four executive Directors and three INEDs. As at the date of this annual report, the Board comprised eight Directors, including five executive Directors and three INEDs.

Executive Directors
Mr. Xu Bin *(re-designated as Chairman on 5 February 2015)*
Mr. Tse Kam Fow *(Deputy Chairman and appointed on 5 February 2015)*
Mr. Zhang Fusheng *(Chief Executive Officer)*
Mr. Wang Hon Chen
Mr. Ng Ying Kit (*appointed on 5 February 2015)*
Mr. Mak Shiu Chung, *Godfrey (resigned on 5 February 2015)*

Independent Non-Executive Directors
Mr. Kwok Chi Shing
Mr. Kwok Siu Man (*appointed on 5 February 2015)*
Mr. Huang Shao Ru
Mr. Tsang Wai Sum *(resigned on 5 February 2015)*

There is no financial, business, family or other material/relevant relationship among the Directors.

Details of the qualifications and experience of the current Chairmen of the Board and the other Directors are set out in the section headed "Profiles of Directors and Senior Management" of this annual report. 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. Xu Bin is the Chairman of the Board, Mr. Tse Kam Fow is the Deputy Chairman of the Board and Mr. Zhang Fusheng is the Chief Executive Officer of the Company.

During the Year, the Company had three INEDs who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company (the "**Shareholders**"). The Company has received an annual confirmation from each of the INEDs as at 31 December 2014 on their respective independence pursuant to Rule 3.13 of the Listing Rules and considers that each of them to be independent. Mr. Tsang Wai Sum has resigned with effect from 5 February 2015. Mr. Kwok Chi Shing, Mr. Kwok Siu Man (appointed on 5 February 2015) and Mr. Huang Shao Ru are currently the INEDs. Mr. Kwok Siu Man is appointed for a term of three years commencing on 5 February 2015 whereas Mr. Kwok Chi Shing and Mr. Huang Shao Ru are not appointed for a fixed term but are subject to retirement by rotation and re-election at the AGM in accordance with the Company's articles of association, provided that the appointment may be terminated by the Company or the INEDs with a written notice of not less than one month.

During the Year, the Board held regular board meetings for each quarter, the AGM and an extraordinary general meeting (the "**EGM**").

Details of the attendance record of the Board members are as follows:

Directors	Number of regular board meeting attended/ held	Regular Board meeting attendance percentage	Number of AGM attended/ held	AGM attendance percentage	Number of EGM attended/ held	EGM attendance percentage
Mr. Xu Bin	4/4	100%	0/1	0%	1/1	100%
Mr. Tse Kam Fow(1)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Mak Shiu Chung, Godfrey(2)	4/4	100%	0/1	0%	0/1	0%
Mr. Zhang Fusheng	4/4	100%	1/1	100%	1/1	100%
Mr. Wang Hon Chen	4/4	100%	0/1	0%	0/1	0%
Mr. Ng Ying Kit(1)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Kwok Chi Shing	4/4	100%	1/1	100%	1/1	100%
Mr. Kwok Siu Man(1)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Huang Shao Ru	4/4	100%	1/1	100%	0/1	0%
Mr. Tsang Wai Sum(2)	4/4	100%	1/1	100%	1/1	100%

Apart from four regular Board meetings each 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 the agenda items for decision and, if applicable, minutes of committee meetings in advance of each Board meeting.

Notes:

(1) Each of Mr. Tse Kam Fow and Mr. Ng Ying Kit were appointed as executive Directors and Mr. Kwok Siu Man was appointed as an INED on 5 February 2015.

(2) Mr. Mak Shiu Chung, Godfrey and Mr. Tsang Wai Sum resigned as an executive Director and an INED respectively on 5 February 2015.

(3) The AGM and EGM were held on 19 June 2014 and 20 October 2014 respectively.

Remuneration Committee

The Company has established a remuneration committee (the "**Remuneration Committee**") in September 2005. The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the CG Code.

During 2014, the Remuneration Committee comprised all the three INEDs, namely Mr. Kwok Chi Shing, Mr. Huang Shao Ru and Mr. Tsang Wai Sum (who resigned on 5 February 2015) with Mr. Tsang Wai Sum acted as the Chairman. Mr. Kwok Siu Man was appointed the Chairman of the Remuneration Committee on 5 February 2015.

The role and function of the Remuneration Committee include 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. In doing so, 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 Year, one meeting was held by the Remuneration Committee. The attendance record of each member of the Remuneration Committee is as follows:

	Attendance	Attendance percentage
Mr. Kwok Siu Man[(1)]	N/A	N/A
Mr. Kwok Chi Shing	1/1	100%
Mr. Huang Shao Ru	1/1	100%
Mr. Tsang Wai Sum[(2)]	1/1	100%

Notes:

(1) Mr. Kwok Siu Man was appointed as an INED and the Chairman of the Remuneration Committee on 5 February 2015.

(2) Mr. Tsang Wai Sum resigned as an INED and ceased to act as the Chairman of the Remuneration Committee on 5 February 2015.

The Remuneration Committee has considered and reviewed appointment letters of the executive Directors and the INEDs. It considers that the existing terms of appointment letters of the executive Directors and INEDs are fair and reasonable.

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") in September 2005. During the Year, the Nomination Committee comprised all the three INEDs, namely Mr. Tsang Wai Sum, Mr. Kwok Chi Shing and Mr. Huang Shao Ru and Mr. Tsang Wai Sum acted as the Chairman. On 5 February 2015, Mr. Tsang Wai Sum resigned as an INED and ceased to act as the Chairman and Mr. Kwok Siu Man was appointed as the Chairman of the Nomination Committee.

The role and function of the Nomination Committee include the selection and recommendation of Directors for appointment and removal. In doing so, the Nomination Committee would consider the past performance, the individual's qualification and, for INEDs, independence, as well as the general market conditions in selecting and recommending candidates for directorship.

During the Year, one meeting was held by the Nomination Committee. The attendance record of each member of the Nomination Committee is as follows:

	Attendance	Attendance percentage
Mr. Kwok Siu Man[(1)]	N/A	N/A
Mr. Kwok Chi Shing	1/1	100%
Mr. Huang Shao Ru	1/1	100%
Mr. Tsang Wai Sum[(2)]	1/1	100%

Notes:

(1) Mr. Kwok Siu Man was appointed as an INED and was appointed as the Chairman of the Nomination Committee on 5 February 2015.

(2) Mr. Tsang Wai Sum was resigned as an INED and ceased to act as the Chairman of the Nomination Committee on 5 February 2015.

Audit committee

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the Year, the Audit Committee comprised all the three INEDs, namely Mr. Kwok Chi Shing, Mr. Huang Shao Ru and Mr. Tsang Wai Sum and the Chairman of the Audit Committee was Mr. Kwok Chi Shing. On 5 February 2015, Mr. Tsang Wai Sum resigned as an INED and ceased to be a member of the Audit Committee and Mr. Kwok Siu Man, an INED was appointed as a member of the Audit Committee.

The Audit Committee held 4 meetings during the Year. Details of the attendance of the Audit Committee meetings are as follows:

	Attendance	Attendance percentage
Mr. Kwok Chi Shing	4/4	100%
Mr. Kwok Siu Man (1)	N/A	N/A
Mr. Huang Shao Ru	4/4	100%
Mr. Tsang Wai Sum(2)	4/4	100%

Notes:

(1) Mr. Kwok Siu Man was appointed as a member of the Audit Committee on 5 February 2015.

(2) Mr. Tsang Wai Sum ceased to be a member of the Audit Committee on 5 February 2015.

During the Year, the Group's unaudited interim results for the six months ended 30 June 2014 and annual audited results for the Year had 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 had been made.

Directors' training

Pursuant to A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. From time to time, the Directors are provided with written materials to develop and refresh their professional skills. The Directors had fulfilled the relevant requirements under A.6.5 of the CG Code during the Year.

Company Secretary's training

Pursuant to Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary (who resigned with effect from 14 January 2015) provided his training records to the Company, indicating more than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials during the Year.

Independent auditor's remuneration

The Audit Committee 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. The fees received and receivable by the independent auditor of the Company in respect of audit services and non-audit services for the Year amounted to approximately HK$972,000 (2013: HK$850,000) and HK$27,000 (2013: HK$192,000) respectively.

Board diversity policy

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the same. A summary of the Board Diversity Policy is set out below:

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

Remuneration of Directors and Senior Management

Particulars of the Directors' remuneration for the Year are set out in Note 14 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Profile of Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band	Number of individuals
Nil-HK$1,000,000	4
HK$1,000,001-HK$2,000,000	2
HK$2,000,001-HK$3,000,000	1
	7

Directors' and independent auditor's responsibilities for financial statements

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the Year.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, RSM Nelson Wheeler has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the Year.

Internal Controls

The Company has conducted a review of its system of internal controls periodically to ensure an effective and adequate internal control system. The Company convenes meetings periodically to discuss financial, operational and risk management control. In order to strengthen the internal control system of the Group, the Company will engage a professional company to perform an internal control review occasionally.

Shareholders' Rights

Convening of extraordinary general meeting and putting forward proposals

Under the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company, which carries the right of voting at general meeting can require an EGM to be called for the transaction of any business specified in such requisition. The procedures for the Shareholders to convene and put forward proposals at an EGM are stated as follows:

(1) The requisitionist(s) should sign a written request stating the objects of the meeting to be convened, and deposit the same at the principal place of business of the Company in Hong Kong, presently situated at Suite No. 3, 31/F, Sino Plaza, 255-257 Gloucester Road, Hong Kong for the attention of the Company Secretary.

(2) Where, within 21 days from the date of deposit of the requisition, the Directors do not proceed to convene an EGM, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as that in which meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionist(s) as a result of such failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Investors' Relations

The Company has disclosed all necessary information to the Shareholders in compliance with the Listing Rules. Meetings are held with media and investors periodically. The Company also replies to enquiries from the Shareholders timely. The Directors host an AGM each year to meet with the Shareholders and answer their enquiries.

Constitutional documents

There were no changes in the constitutional documents of the Company during the Year.

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the Year.

Principal activities

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the manufacture and sale of plastic woven bags, paper bags and plastic barrels; production and sale of coal; and provision of low-rank coal upgrading services during the Year.

Details of the segment information are set out in Note 9 to the consolidated financial statements.

Results, financial position and dividend

The loss of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 41 to 43.

The Directors do not recommend the payment of a final dividend for the Year (2013: Nil).

Donation

No charitable and other donations were made by the Group during the Year (2013: Nil).

Share capital

Details of the movements in the share capital of the Company are set out in Note 32 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Company during the Year are set out in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

Distributable reserves

As at 31 December 2014, the Company had reserves available for distribution, calculated in accordance with the provisions of the Cayman Islands Companies Law, amounting to approximately HK$170,162,000. The share premium account of the Company of approximately HK$280,477,000 as at 31 December 2014 is distributable to the Shareholders 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.

Sufficiency of public float

Based on the information available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued share capital were held by the public during the Year and as at the date of this annual report. The Company has been maintaining the public float required by the Listing Rules.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

Directors

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

Executive Directors	
Mr. Xu Bin	
Mr. Tse Kam Fow	(appointed on 5 February 2015)
Mr. Zhang Fusheng	
Mr. Wang Hon Chen	
Mr. Ng Ying Kit	(appointed on 5 February 2015)
Mr. Mak Shiu Chung, Godfrey	(resigned on 5 February 2015)
INEDs	
Mr. Kwok Chi Shing	
Mr. Kwok Siu Man	(appointed on 5 February 2015)
Mr. Huang Shao Ru	
Mr. Tsang Wai Sum	(resigned on 5 February 2015)

In accordance with article 86(3) of the Articles of Association of the Company (the "**Articles**"), Mr. Tse Kam Fow, Mr. Ng Ying Kit and Mr. Kwok Siu Man who were appointed on 5 February 2015 will retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election.

In accordance with articles 87(1) and 87(2) of the Articles, Mr. Huang Shao Ru will retire from office by rotation at the forthcoming AGM and, being eligible, will offer himself for re-election.

The Company has received from each of the INEDs, who acted in such capacities during the Year, an annual confirmation of independence. The Company considers that each of its INEDs as at the date of this report to be independent pursuant to the criteria set out in the Listing Rules.

The profiles of the Directors and senior management are set out on pages 15 to 18 of this annual report.

Remuneration of Directors and senior management

The Directors' fee are subject to Shareholders' approval at general meetings. Other emoluments to Directors are determined by the Board by reference to Directors' duties, responsibilities and performance and the results of the Company. The Company has a remuneration committee to formulate the remuneration policies. Details of the Directors' remuneration are disclosed in Note 14 to the consolidated financial statements.

The emoluments to senior management is also set by the Board and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The remuneration of the senior management of the Group by band and the respective number of individuals for the Year are stated in Corporate Governance Report.

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 9 and 10 of the annual report.

Directors' service contracts

Executive Directors

Mr. Zhang Fusheng has entered into a service agreement with the Company for a three-year term commencing on 28 June 2013. Each of Mr. Tse Kam Fow and Mr. Ng Ying Kit has also entered into a service agreement with the Company for a three-year term commencing on 5 February 2015. Saved as the above, neither Mr. Xu Bin nor Mr. Wang Hon Chen has entered into any service contract with the Company, each of them has entered into a director's appointment letter with no fixed term of appointment as an Executive Director.

INEDs

Mr. Kwok Siu Man has entered into a letter of appointment with the Company for a term of three years commencing on 5 February 2015.

None of the Directors proposed for re-election at the forthcoming AGM 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 2014, the interests and short positions of each Director and the 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 Division 7 and 8 of Part XV of the SFO (including any interests and short positions which they were 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

*(i) Interests in ordinary shares of the Company (the "**Shares**") (note 1)*

	Number of Shares					
Name	**Personal interests**	**Corporate interest**	**Family interests**	**Other interests**	**Total**	**Percentage of issued share capital**
Mr. Xu Bin ("**Mr. Xu**")	24,365,629	131,788,686(L) (note 2)	–	–	156,154,315(L)	34.06%
Mr. Mak Shiu Chung, Godfrey ("**Mr. Mak**")	–	28,930,203 (note3)	–	–	28,930,203	6.31%

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 Shares are beneficially owned by Hong Kong Hang Kei Company Limited ("**HK Hang Kei**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability and is wholly owned by Mr. Xu, the Chairman and an executive Director. By virtue of his 100% shareholding in HK Hang Kei, Mr. Xu was deemed or taken to be interested in the 131,788,686 Shares owned by HK Hang Kei.

(3) These Shares were beneficially owned by Lucky Team International Limited ("**Lucky Team**"), a company incorporated in the BVI. By virtue of his 100% shareholdings in Lucky Team, Mr. Mak was deemed or taken to be interested in the 28,930,203 Shares owned by Lucky Team. Mr. Mak resigned as an executive Director on 5 February 2015.

(4) The letter "L" denotes a long position in the Share(s).

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

As at 31 December 2014, 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 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 were taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to the Model Code contained in Appendix 10 to the Listing Rules, were required to be notified to the Company and the Stock Exchange.

Share Option Scheme

The Company's existing share option scheme (the "**Scheme**") was adopted at an extraordinary general meeting held on 20 August 2009 (the "**Adoption Date**"). The purpose of the Scheme is to enable the Company to grant options to any employee (whether full-time or part-time, including any executive Director but excluding any non-executive Director) of the Company or any of its subsidiaries or an entity in which the Group holds any equity interest (the "**Invested Entity**"); any non-executive director (including INEDs) of the Company, any of its subsidiaries or any Invested Entity; any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; and any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group (the "**Eligible Participants**") as incentives or rewards for their contribution to the Group and/or to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any Invested Entity.

Details of the principal terms of the Scheme is set out in a circular of the Company dated 4 August 2009.

Certain principal terms of the Scheme are summarized as follows:

The Scheme was adopted for a period of 10 years commencing on the Adoption Date and will remain in force until 19 August 2019, after which period no further options will be offered or granted but the provisions of the Scheme shall remain in full force and effect in all other aspects with regard to the options granted during the life of the Scheme. The subscription price for the Shares in respect of any option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case, the subscription price for Shares shall be at least not lower than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) trading days immediately preceding the date of grant; and (c) the nominal value of the Share.

The original maximum number of Shares to be issued upon exercise of all options to be granted under the Scheme was 50,826,240 shares (the "**Scheme Mandate**"), being 10% of the issued share capital of the Company as at the Adoption Date. Under the Scheme, the Directors may, at their discretion, offer options to the Eligible Participants to subscribe for the Shares subject to the terms and conditions stipulated therein.

On 20 December 2011, the Scheme Mandate was refreshed and increased to 73,189,785 Shares, being 10% of the issued share capital of the Company as at the date of the passing of an ordinary resolution by the Shareholders to approve the refreshment of Scheme Mandate.

Share option scheme (Continued)

On 9 January 2012, the Company granted 73,000,000 share options with an exercise price of HK$0.81 each to certain independent third party contractors. Following the completion of the bonus issue of Shares on 12 October 2012, the exercise price per share of the outstanding share options and the number of Shares to be issued from the outstanding share options have been adjusted to HK$0.675 and 87,600,000 Shares, respectively. Following the completion of the bonus issue of Shares on 11 October 2013, the exercise price per Share of the outstanding share options and the number of Shares to be issued from the outstanding share options have been adjusted to HK$0.563 and 105,120,000 Shares, respectively. The subscription rights attached to the above-mentioned share options expired in January 2014.

Directors' interests in contracts

Save as disclosed in the paragraph headed "Connected transactions and continuing connected transactions" below, no other contracts of significance to which the Company or its subsidiaries was a party subsisted at the end of the Year or at any time during the Year in which any Director had a material interest.

Directors' and Chief Executive's rights to acquire shares or debt securities

Neither the Company nor any 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

As at 31 December 2014, 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 Shares
Hong Kong Hang Kei Company Limited ("**HK Hang Kei**")	Beneficial Owner (note 1)	131,788,686(L)	28.75%
China Galaxy International Finance (Hong Kong) Co. Ltd.	Security Interest (note 2)	156,154,315(L)	34.06%
Central Huijin Investment Ltd.	Corporate Interest (note 3)	156,154,315(L)	34.06%
China Galaxy Financial Holdings Co. Ltd.	Corporate Interest (note 3)	156,154,315(L)	34.06%
China Galaxy International Financial Holdings Ltd.	Corporate Interest (note 3)	156,154,315(L)	34.06%
China Galaxy Securities Co. Ltd.	Corporate Interest (note 3)	156,154,315(L)	34.06%
Lucky Team International Limited	Beneficial Owner (note 4)	28,930,203(L)	6.31%

Notes:

(1) HK Hang Kei is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Xu Bin, the Chairman and an Executive Director of the Company.

(2) It represents the security interest over the shares owned by Mr. Xu Bin and held by HK Hang Kei created under two share charges in favour of China Galaxy International Finance (Hong Kong) Co. Ltd. as security for the loan facility provided to Mr. Xu Bin in relation to the financing under the Open Offer. The loan has been fully repaid as at the date of this report.

(3) As China Galaxy International Finance (Hong Kong) Co. Ltd. is a direct or indirect subsidiary of Central Huijin Investment Ltd., China Galaxy Financial Holdings Co. Ltd., China Galaxy International Financial Holdings Ltd. and China Galaxy Securities Co. Ltd., Central Huijin Investment Ltd., China Galaxy Financial Holdings Co. Ltd., China Galaxy International Financial Holdings Ltd. and China Galaxy Securities Co. Ltd. are deemed to be interested in the 156,154,315 Shares in which China Galaxy International Finance (Hong Kong) Co. Ltd. has security interest.

(4) Lucky Team is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Mak Shiu Chung, Godfrey, Mr. Mak resigned as an executive Director on 5 February 2015.

(5) The letter "L" denotes a long position in the Shares.

Saved as disclosed above, as at 31 December 2014, the Directors were not aware of any other persons who have interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO.

Connected transactions and continuing connected transactions

During the Year, the Group had the following connected transactions, details of which have been disclosed in compliance with the requirements in accordance with the Listing Rules:

(a) On 23 January 2013, 內蒙古源源能源集團有限責任公司 (Inner Mongolia Yuan Yuan Energy Resources Company Limited") ("**Yuan Yuan**") which owned 43.8% of the registered capital of 內蒙古源源能源集團金源里井工礦業有限責任公司 (Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited) ("**Inner Mongolia Jinyuanli**"), an indirect non-wholly owned subsidiary of the Company, entered into an agreement (the "**New Agreement**") for (1) the leasing of a station platform from Yuan Yuan for the transportation of coal, and (2) the supply of coal loading and unloading services to Inner Mongolia, Jinyuanli at the designated station platform located at Huolinguole City, Inner Mongolia, the PRC with a term ending on 31 December 2015. As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules (the "**Percentage Ratios**") in relation to the transaction amount under the New Agreement on an annual basis are more than 0.1% but less than 5%, the transactions are subject to the reporting and announcement requirements, the annual review requirements by INEDs and the independent auditors of the Company, but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 23 January 2013 for details.

The 2014 annual cap for the (1) leasing of a station platform, and (2) provision of coal loading and unloading services at the designated station platform under the Agreement dated 23 January 2013 for the Year was RMB19,200,000 (approximately HK$24,000,000) and the actual amount paid by Inner Mongolia Jinyuanli during the year was RMB6,500,000 (approximately HK$8,125,000).

(b) On 18 May 2012, Mr. Xu and Beijing Guochuan New Energy Development Co., Ltd ("**Beijing Guochuan**"), entered into a licensing agreement, pursuant to which Mr. Xu agreed to grant Beijing Guochuan and its affiliates the right to use the technologies (including the method of upgrading the quality of lignite) and sub-licence the technologies, for a period of three years at a consideration of RMB800,000 (approximately HK$1,000,000) per annum. As the relevant applicable Percentage Ratios in respect of the transactions contemplated under the licensing agreement are less than 5% and the annual consideration is less than HK$3,000,000, the transactions contemplated under the licensing agreement constitute a de minimis continuing connected transaction of the Company which are exempted from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76(1)(c) of the Listing Rules. The amount incurred by Beijing Guochuan to Mr. Xu for the year ended 31 December 2014 pursuant to the license agreement was RMB800,000 (approximately HK$1,000,000). Please refer to the announcement of the Company dated 18 May 2012 for details.

The related party transactions set out in Note 40 to the consolidated financial statements constitute connected transactions of the Company under Chapter 14A of the Listing Rules but are exempted from the requirements for reporting, announcement and independent Shareholders' approval.

Connected transactions and continuing connected transactions (Continued)

The Company's independent auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits of Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions. A copy of the independent auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Pursuant to Rule 14A.37 of the Listing Rules, all the INEDs, being Messers, Kwok Chi Shing, Kwok Siu Man and Huang Shao Ru, have reviewed the continuing connected transactions stipulated in paragraph (a) above and confirmed that they were entered into/carried out:

(i) in the ordinary and usual course of business of the Group;
(ii) on normal commercial terms; and
(iii) in accordance with the New Agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the Board, the continuing connected transactions stipulated in paragraph (a) above were entered into in the manners stated above.

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

In January 2013, the subscription rights attaching to 35,828,572 warrants issued by the Company were exercised at the subscription price of HK$0.7 per share, resulting in the issue of 35,828,572 shares of HK$0.1 each for a total cash consideration of approximately HK$25,080,000 (Note 34 to the consolidated financial statements).

In October 2013, subsequent to the issue of bonus shares of the Company (Note 34 to the consolidated financial statements), the exercise price was adjusted to HK$0.58 per warrant share and the number of shares exercisable of the warrants outstanding was adjusted to 118,193,013. The subscription rights attached to the unlisted warrants expired in January 2014. In addition, the subscription rights attached to the share options expired in January 2014.

Apart from the share options and the warrants, details of which are respectively set out in the section headed "Share Option Scheme" and above, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 December 2014. There had been no exercise of any convertible securities, options, warrants or other similar rights during the Year.

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 2014 and 2013 are as follows:

	Percentage of the Group's total			
	Sales		Purchase	
	2014	2013	**2014**	2013
The largest customer	**20%**	45%		
Five largest customers in aggregate	**47%**	75%		
The largest supplier			**15%**	14%
Five largest suppliers in aggregate			**32%**	28%

During the Year, to the best of the Directors' knowledge, 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 material interest in the major customers and suppliers disclosed above.

Competing interests

During the Year, to the best of the Directors' knowledge, none of the Directors had any material interest in business which competes or may competed or might compete with the business of the Group.

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 listed securities

During the Year, the Company did not redeem its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such Shares.

Use of proceeds

The total net proceeds raised from the Company's Open Offer completed in early December 2014 amounted to approximately HK$111,870,000. They would be used as follows:

	HK$ million
Capital expenditures in the business development for the provision of low-rank coal upgrading business	**65.00**
Repayment for the Group's outstanding loan	**25.00**
General working capital of the Group	**21.87**
Total	**111.87**

Compliance with the Listing Rules

Throughout the year ended 31 December 2014, the Company has complied with all the code provisions of the Corporate Governance Report contained in Appendix 10 to the Listing Rules except the INEDs who held such offices as at 31 December 2014 are not appointed for a specific term. The INEDs are subject to retirement by rotation and re-election at the AGM in accordance with the provisions of the Articles of Association of the Company. The newly appointed Directors (including executive and non-executive) appointed for a specific term are subject to re-election upon expiry of their term of service and by rotation at least once every three years at the AGM.

Audit committee

The Company established an Audit Committee on 16 August 2011. As at the date of this report, the Audit Committee, comprised all the INEDs, namely Mr. Kwok Chi Shing, Mr. Kwok Siu Man and Mr. Huang Shao Ru. The written terms of reference of the Audit Committee comply with the Listing Rules. The primary duties of the Audit Committee are to review the Company's annual report and financial statements and interim report and to provide advices and comments thereon to the Board. The Audit Committee is also responsible for supervising and reviewing the financial reporting process and internal control system of the Group.

The Audit Committee has reviewed the annual results for the Year.

Independent Auditor

The financial statements for the Year have been audited by RSM Nelson Wheeler who will retire and, being eligible, will offer themselves for re-appointment at the forthcoming AGM.

Corporate governance

A report of the principal corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 20 to 26 of the annual report.

By order of the Board

Xu Bin
Chairman

Hong Kong, 31 March 2015

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

We have audited the consolidated financial statements of DeTeam Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 41 to 100, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2014, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to Notes 5(b) and 5(e) to the consolidated financial statements relating to the key assumptions that the management had made when determining whether any impairment on the property, plant and equipment and goodwill respectively as at the end of reporting period should be made in the consolidated financial statements.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

31 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	7	**342,943**	286,149
Cost of sales		**(236,611)**	(241,287)
Gross profit		**106,332**	44,862
Other income	8	**7,065**	6,800
Selling and distribution expenses		**(21,966)**	(3,224)
Administrative expenses		**(78,585)**	(67,192)
Impairment loss on property, plant and equipment	17 (c)	**(16,193)**	–
Impairment loss on trade and other receivables		**(73,393)**	(11,048)
Other operating expenses		**(719)**	(777)
Loss from operations		**(77,459)**	(30,579)
Finance costs	10	**(11,866)**	(4,797)
Loss before tax		**(89,325)**	(35,376)
Income tax expense	11	**(20,649)**	(32,827)
Loss for the year	12	**(109,974)**	(68,203)
Attributable to:			
Owners of the Company		**(113,109)**	(35,114)
Non-controlling interests		**3,135**	(33,089)
		(109,974)	(68,203)
Loss per share	16		(Restated)
– Basic		**HK(40.98) cents**	HK(13.47) cents
– Diluted		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Loss for the year	**(109,974)**	(68,203)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(9,008)**	9,060
Other comprehensive income for the year, net of tax	**(9,008)**	9,060
Total comprehensive income for the year	**(118,982)**	(59,143)
Attributable to:		
Owners of the Company	**(120,738)**	(27,433)
Non-controlling interests	**1,756**	(31,710)
	(118,982)	(59,143)

Consolidated Statement of Financial Position

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**582,488**	641,806
Prepaid land lease payments	18	**2,708**	2,818
Investment properties	19	**–**	8,750
Intangible asset	20	**87,696**	93,930
Deferred tax assets	31	**23,708**	41,897
Goodwill	21	**2,907**	2,907
Deposits		**1,303**	4,379
		700,810	796,487
Current assets			
Inventories	22	**30,122**	45,964
Prepaid land lease payments	18	**71**	77
Trade and bill receivables	23	**55,073**	138,572
Deposits, prepayments and other receivables		**6,434**	11,442
Current tax assets		**933**	–
Restricted bank deposits	24	**7,938**	8,117
Bank and cash balances	25	**105,358**	16,852
		205,929	221,024
Current liabilities			
Trade payables	26	**6,501**	14,206
Accrued charges and other payables		**212,828**	219,304
Due to non-controlling shareholders	28	**21,827**	8,798
Due to a director	29	**6,611**	1,636
Other loans	30	**6,350**	–
Current tax liabilities		**–**	3,616
		254,117	247,560
Net current liabilities		**(48,188)**	(26,536)
Total assets less current liabilities		**652,622**	769,951
Non-current liabilities			
Other payables	27	**4,351**	39,636
Due to non-controlling shareholders	28	**3,518**	77,547
Due to a director	29	**25,193**	–
Other loans	30	**59,041**	85,136
Deferred tax liabilities	31	**12,064**	12,064
		104,167	214,383
NET ASSETS		**548,455**	555,568
Capital and reserves			
Share capital	32	**229,239**	114,619
Other reserves	36(a)	**375,631**	390,170
Accumulated losses		**(146,002)**	(37,052)
Equity attributable to owners of the Company		**458,868**	467,737
Non-controlling interests		**89,587**	87,831
TOTAL EQUITY		**548,455**	555,568

Approved by the Board of Directors on 31 March 2015.

Xu Bin
Director

Tse Kam Fow
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

		Attributable to owners of the Company						
	Note	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		91,933	382,852	(4,695)	6,209	476,299	119,541	595,840
Total comprehensive income for the year		–	7,681	(35,114)	–	(27,433)	(31,710)	(59,143)
Exercise of warrants	32(c)	3,583	21,497	–	–	25,080	–	25,080
Issue of bonus shares	32(d)	19,103	(19,103)	–	–	–	–	–
Net Appropriations		–	(2,757)	2,757	–	–	–	–
Dividend paid – 2012 final dividend		–	–	–	(6,209)	(6,209)	–	(6,209)
Changes in equity for the year		22,686	7,318	(32,357)	(6,209)	(8,562)	(31,710)	(40,272)
At 31 December 2013		114,619	390,170	(37,052)	–	467,737	87,831	555,568
At 1 January 2014		**114,619**	**390,170**	**(37,052)**	**–**	**467,737**	**87,831**	**555,568**
Total comprehensive income for the year		**–**	**(7,629)**	**(113,109)**	**–**	**(120,738)**	**1,756**	**(118,982)**
Issue of shares	32(b)	**114,620**	**(2,751)**	**–**	**–**	**111,869**	**–**	**111,869**
Expiry of share options		**–**	**(14,892)**	**14,892**	**–**	**–**	**–**	**–**
Expiry of warrants		**–**	**(820)**	**820**	**–**	**–**	**–**	**–**
Net Appropriations		**–**	**11,553**	**(11,553)**	**–**	**–**	**–**	**–**
Changes in equity for the year		**114,620**	**(14,539)**	**(108,950)**	**–**	**(8,869)**	**1,756**	**(7,113)**
At 31 December 2014		**229,239**	**375,631**	**(146,002)**	**–**	**458,868**	**89,587**	**548,455**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(89,325)**	(35,376)
Adjustments for:		
Interest income	**(192)**	(115)
Finance costs	**11,866**	4,797
Depreciation and amortisation	**62,145**	46,481
Fair value gains on recognition of financial liabilities	**(5,436)**	(4,938)
Impairment loss of property, plant and equipment	**16,193**	–
Impairment loss of trade and other receivables	**73,393**	11,048
Allowance for inventories	**7,777**	–
Loss on disposals of property, plant and equipment	**603**	259
Gain on disposal of investment properties	**(330)**	–
Operating profit before working capital changes	**76,694**	22,156
Decrease in inventories	**8,065**	21,718
Decrease in trade and bill receivables	**10,616**	3,363
Decrease/(increase) in deposits, prepayments and other receivables	**4,567**	(3,148)
Decrease/(increase) in restricted bank deposits	**179**	(155)
Decrease in trade payables	**(7,705)**	(12,388)
(Decrease)/increase in accrued charges and other payables	**(49,836)**	146
(Decrease)/increase in amounts due to non-controlling shareholders	**(1,360)**	20,393
Increase in amount due to a director	**975**	1,560
Cash generated from operations	**42,195**	53,645
Income taxes paid	**(7,282)**	(16,876)
Withholding tax paid	**(330)**	(1,262)
Interest paid	**(1,698)**	(3,666)
Bank charges paid	**(480)**	(116)
Net cash generated from operating activities	**32,405**	31,725
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(19,036)**	(125,322)
Purchase of investment properties	**–**	(9,131)
Proceeds from disposals of property, plant and equipment	**335**	5,305
Proceeds from disposal of investment properties	**8,689**	–
Interest received	**192**	115
Net cash used in investing activities	**(9,820)**	(129,033)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Other loans raised	**17,300**	81,428
Repayment of other loans	**(34,728)**	(18,750)
Repayment of loans from non-controlling shareholders	**(63,499)**	–
Loans from a director	**33,000**	–
Proceeds from issue of shares	**111,869**	25,080
Dividends paid to owners of the Company	**–**	(6,209)
Net cash generated from financing activities	**63,942**	81,549
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**86,527**	(15,759)
Effect of foreign exchange rate changes	**1,979**	(1,927)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**16,852**	34,538
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**105,358**	16,852
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**105,358**	16,852

1. General Information

The Company was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its business office is Suite No. 3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of plastic woven bags, paper bags and plastic barrels, production and sale of coal and provision of low-rank coal upgrading services.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards and Requirements

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations.

(a) *Application of new and revised HKFRSs*

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements because, based on the assessment of management, no assets nor assets allocated to cash-generating units have been stated at the recoverable amount that determined on the basis of their value in use as at the end of reporting period.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards and Requirements (Continued)

(b) *New and revised HKFRSs in issue but not yet effective*

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group begins to assess the potential impact of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue that are relevant for the Group's operation but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

(c) *New Hong Kong Companies Ordinance*

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

3. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

These consolidated financial statements have been prepared on a going concern basis. As disclosed in the consolidated statement of financial position, as at 31 December 2014, the Group had net current liabilities approximately of HK$48,188,000 (2013: HK$26,536,000). The current economic conditions continue to create uncertainty particularly over the coal market in the People's Republic of China (the "**PRC**"). The Group's forecast and projections, after taking into account the reasonable changes in market conditions, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors expect that the Group has sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when required for the next twelve months. Accordingly, the directors consider it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

4. Significant Accounting Policies

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

(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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

4. Significant Accounting Policies (Continued)

(a) *Consolidation* (Continued)

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are 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 that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

4. Significant Accounting Policies (Continued)

(b) *Business combination and goodwill*

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured either at fair value or at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date. The choice of measurement basis is made on a transaction-by-transaction basis.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. Significant Accounting Policies (Continued)

(c) *Foreign currency 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 on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (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 exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

4. Significant Accounting Policies (Continued)

(c) *Foreign currency translation* (Continued)

(iii) **Translation on consolidation** (Continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain 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.

(d) *Property, plant and equipment*

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 costs are recognised in profit or loss during the period in which they are incurred.

Mining structures (including the main and auxiliary mine shafts underground tunnels) are depreciated at a units-of-production method over the estimated volume of underground coal that is entitled to the Group.

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

Buildings	4% – 5%
Leasehold improvements	Over lease term
Plant and machinery	10% – 33%
Furniture, fixtures and equipment	19% – 33%
Motor vehicles	13% – 25%

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

4. Significant Accounting Policies (Continued)

(d) *Property, plant and equipment* (Continued)

Construction in progress represents buildings 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 profit or loss.

(e) *Investment properties*

Investment properties are buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property was stated at cost less accumulated depreciation and impairment losses. The depreciation was calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of 20 years.

The gain or loss on disposal of an investment property was the difference between the net sales proceeds and the carrying amount of the property, and was recognised in profit or loss.

(f) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(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 underground coal that is entitled to the Group.

(h) *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.

4. Significant Accounting Policies (Continued)

(i) *Recognition and derecognition of financial instruments*

Financial assets and financial liabilities are recognised in the statement of financial position 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 the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 profit or loss.

(j) *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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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.

(k) *Cash and cash equivalents*

For the purpose of the statement of cash flows, 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.

4. Significant Accounting Policies (Continued)

(l) *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 entity after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in (m) to (p) below.

(m) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) *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.

(o) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) *Warrants*

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The net proceeds received from the issue of warrants is recognised in equity (warrant reserve). The warrant reserve will be transferred to share premium account upon the exercise of the warrants. When the warrants are not yet exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to retained profits.

4. Significant Accounting Policies (Continued)

(q) 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.

Revenue from the sales of coal or 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.

Coal upgrading income is recognised when the coal upgrading services are rendered.

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

(r) 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 end of the reporting period.

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 profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring cost and involves the payment of termination benefits.

4. Significant Accounting Policies (Continued)

(s) *Share-based payments*

The Group issues equity-settled share-based payments to eligible participants in accordance with its share option scheme.

Equity-settled share-based payments to directors and employees are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants and others are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(t) *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 profit or loss in the period in which they are incurred.

(u) *Government grants*

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. Significant Accounting Policies (Continued)

(v) 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 recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Groups liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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. 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, 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 the end of each reporting period 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 end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

4. Significant Accounting Policies (Continued)

(w) *Related parties*

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the some group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or on associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. Significant Accounting Policies (Continued)

(x) *Impairment of assets*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets – except goodwill, deferred tax assets, inventories and trade and other receivables of which the impairment policies are set out in Notes 4(b), 4(v), 4(h) and 4(j) respectively, 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 of disposal 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 profit or loss, 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 profit or loss, 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.

(y) *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.

4. Significant Accounting Policies (Continued)

(z) Events after the reporting period

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

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Legal titles of certain buildings

As stated in Note 17(a) to the financial statements, the legal titles of certain buildings were not yet obtained as at 31 December 2014. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those buildings as property, plant and equipment on the grounds that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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

As at 31 December 2014, the carrying amount of the Group's property, plant and equipment was approximately HK$582,488,000 (2013: HK$641,806,000). The Group determines the estimated useful lives, residual values 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 and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. An impairment loss on property, plant and equipment of approximately HK$16,193,000 (2013: Nil) was recognised for the year ended 31 December 2014 and details are disclosed in Note 17(c).

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of property, plant and equipment

Determining whether the property, plant and equipment are impaired requires an estimation of the recoverable amount of the cash-generating unit (the "**CGU**") to which the property, plant and equipment belong, by value-in-use and fair value less costs of disposal approaches. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment on the property, plant and equipment may arise.

As at 31 December 2014, the carrying amount of the Group's property, plant and equipment includes plant and equipment of approximately HK$13,635,000 and construction in progress of approximately HK$104,955,000 which belong to the coal upgrading CGU. The key assumptions that management made when performing impairment assessment of this CGU at the end of the reporting period are as below:

(i) The Group will successfully obtain a bank loan of HK$150,000,000 within 2015 with a repayable period of more than 3 years to finance the construction of low-rank coal upgrading facilities in Xilinhaote City, Inner Mongolia, the PRC; and

(ii) The Group will commit to the terms within the Grant Contract for State-owned Land Use Right entered between the Xilinhaote Municipal Land Resources Bureau and a subsidiary, Xilinhaote City Guochuan Energy Technology Development Co., Ltd. ("**Xilinhaote Guochuan**"), and will obtain the legal land use rights certificate in 2015.

(c) Deferred tax assets

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or credit, as well as deferred tax balance. The realisation of deferred tax assets also depends on the realisation of sufficient future taxable profits of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred tax assets.

The carrying amount of deferred tax assets as at 31 December 2014 was approximately HK$23,708,000 (2013: HK$41,897,000).

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(d) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the Year, income tax of approximately HK$20,649,000 (2013: HK$32,827,000) was charged to profit or loss based on the estimated profit from continuing operations.

(e) Impairment of goodwill

As at 31 December 2014, the carrying amount of goodwill was approximately HK$2,907,000 (2013: HK$2,907,000) which had been allocated to the coal upgrading CGU. Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the coal upgrading CGU and a suitable discount rate in order to calculate the present value.

The key assumptions that management made when determining the value-in-use of the coal upgrading CGU as at the end of the period are disclosed in Note 5(b) above and details of the estimation applied in calculation of the value-in-use of the CGU are provided in Note 21 to the consolidated financial statements.

(f) Impairment of intangible asset

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 end of reporting period was approximately HK$87,696,000 (2013: HK$93,930,000) (Note 20).

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(g) Impairment loss on trade receivables

The Group makes impairment loss on trade receivables based on assessments of the recoverability of the trade receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss on trade receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables and allowance for trade receivables for the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2014, impairment loss on trade receivables amounted to approximately HK$74,883,000 (2013: HK$2,000,000) (Note 23).

(h) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Allowance for slow-moving inventories of approximately HK$7,777,000 (2013: Nil) was made for the year ended 31 December 2014.

6. 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 monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. Financial Risk Management (Continued)

(b) *Credit risk*

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

The Group has policies in place to trade with customers with an appropriate credit history.

The Group has a number of customers which are under common control of a listed company in Hong Kong. The Group is exposed to a relatively high concentration of credit risk in terms of trade receivables because over 30% (2013: 80%) of the Group's turnover for the year was related to these customers and over 96% (2013: 96%) of the Group's trade receivables at the end of the reporting period was arising from these customers. The Group has policies and procedures to monitor the collection of trade receivables on an ongoing basis to limit the exposure to irrecoverability of the receivables and there is no recent history of default for the Group's largest customer. Further credit risk arising from trade receivables are disclosed in Note 23 to the financial statements.

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

(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.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

6. Financial Risk Management (Continued)

(c) *Liquidity risk* (Continued)

The maturity analysis for other loans, the amounts due to non-controlling shareholders and a director is prepared based on the scheduled repayment dates.

2014
Maturity Analysis – Undiscounted cash outflows

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash outflows HK$'000
Trade payables	**–**	**6,501**	**–**	**–**	**6,501**
Accrued charges and other payables	**–**	**165,657**	**4,135**	**640**	**170,432**
Due to non-controlling shareholders	**5,583**	**16,841**	**–**	**4,170**	**26,594**
Due to a director	**2,611**	**4,200**	**4,287**	**25,000**	**36,098**
Other loans	**–**	**6,350**	**5,850**	**62,956**	**75,156**
	8,194	**199,549**	**14,272**	**92,766**	**314,781**

2013
Maturity Analysis – Undiscounted cash outflows

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash outflows HK$'000
Trade payables	–	14,206	–	–	14,206
Accrued charges and other payables	–	177,219	38,799	4,851	220,869
Due to non-controlling shareholders	5,673	3,125	84,590	–	93,388
Due to a director	1,636	–	–	–	1,636
Other loans	–	–	77,744	16,810	94,554
	7,309	194,550	201,133	21,661	424,653

6. Financial Risk Management (Continued)

(d) *Interest rate risk*

As disclosed in Notes 29 and 30 to the consolidated financial statements, certain loans from a director and the other loans of the Group bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group's exposure to interest-rate risk arises from its significant bank deposits and the loan from a non-controlling shareholder. These deposits and loan from a non-controlling shareholder bear interests at variable rates varied with the then prevailing market condition.

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) *Categories of financial instruments*

	2014 **HK$'000**	2013 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**170,383**	169,952
Financial liabilities:		
Financial liabilities at amortised cost	**299,049**	404,179

(f) *Fair values*

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

7. Turnover

The Group's turnover represents revenue from the followings:

	2014 HK$'000	2013 HK$'000
Sales of bags and barrels	**97,126**	203,015
Sales of coal	**241,175**	56,297
Coal upgrading income	**4,642**	26,837
	342,943	286,149

8. Other Income

	2014 HK$'000	2013 HK$'000
Interest income	**192**	115
Gain on disposal of investment properties	**330**	–
Government grant (note)	**663**	800
Consultancy service income	**375**	750
Fair value adjustment upon initial recognition of financial liabilities	**5,436**	4,938
Rental income	**–**	75
Sundry income	**69**	122
	7,065	6,800

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

9. Segment Information

The Group has three reportable segments as follows:

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

Coal – Production and sale of coal; and

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

9. Segment Information (Continued)

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

The accounting policies of the operating segments are the same as those described in Note 4 to the financial statements. Segment profit or loss represents the profit earned by each segment without allocation of corporate income and expense and central administration costs. Segment assets excluded goodwill, corporate assets and deferred tax assets. Segment liabilities excluded corporate liabilities and deferred tax liabilities.

	Bags HK$'000	Coal HK$'000	Coal upgrading HK$'000	Total HK$'000
Year ended 31 December 2014				
Revenue from external customers	97,126	241,175	4,642	342,943
Segment profit/(loss)	(75,771)	21,774	(32,213)	(86,210)
Interest revenue	28	137	5	170
Interest expense	481	6,112	376	6,969
Income tax expense	2,784	17,529	6	20,319
Depreciation and amortisation	8,341	48,423	4,303	61,067
Loss on disposals of property, plant and equipment	352	251	–	603
Gain on disposal of investment properties	(330)	–	–	(330)
Impairment loss on property, plant and equipment	–	–	16,193	16,193
Impairments loss on receivables				
– trade receivables	72,883	–	–	72,883
– other receivables	–	510	–	510
Capital expenditure	1,643	8,816	15,003	25,462
At 31 December 2014				
Segment assets	272,292	569,241	132,941	974,474
Segment liabilities	20,873	386,929	122,800	530,602

9. Segment Information (Continued)

	Bags HK$'000	Coal HK$'000	Coal upgrading HK$'000	Total HK$'000
Year ended 31 December 2013				
Revenue from external customers	203,015	56,297	26,837	286,149
Segment profit/(loss)	26,227	(74,786)	793	(47,766)
Interest revenue	64	33	11	108
Interest expense	117	3,793	–	3,910
Income tax expense	15,180	16,130	1,517	32,827
Depreciation and amortisation	7,534	35,235	3,168	45,937
Loss/(gain) on disposals of property, plant and equipment	318	(59)	–	259
Impairment loss on trade receivables	2,000	9,048	–	11,048
Capital expenditure	31,323	1,550	98,048	130,921
At 31 December 2013				
Segment assets	360,744	647,303	153,411	1,161,458
Segment liabilities	28,288	499,662	110,381	638,331

9. Segment Information (Continued)

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

	2014 HK$'000	2013 HK$'000
Turnover	**342,943**	286,149
Profit or loss		
Total loss of reportable segments	**(86,210)**	(47,766)
Unallocated corporate income	**5,833**	4,314
Unallocated corporate expenses	**(29,597)**	(24,751)
Consolidated loss for the year	**(109,974)**	(68,203)
Assets		
Total assets of reportable segments	**974,474**	1,161,458
Corporate assets	**88,604**	13,925
Deferred tax assets	**23,708**	41,897
Goodwill	**2,907**	2,907
Elimination of intersegment assets	**(182,954)**	(202,676)
Consolidated total assets	**906,739**	1,017,511
Liabilities		
Total liabilities of reportable segments	**530,602**	638,331
Corporate liabilities	**70,621**	61,018
Deferred tax liabilities	**12,064**	12,064
Elimination of intersegment liabilities	**(255,003)**	(249,470)
Consolidated total liabilities	**358,284**	461,943

Geographical information:

	Turnover		Non-current assets	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Hong Kong	**–**	–	**1,971**	2,969
The PRC except Hong Kong	**342,943**	286,149	**672,224**	748,714
Consolidated total	**342,943**	286,149	**674,195**	751,683

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

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

9. Segment Information (Continued)

Turnover from major customers:

	2014 HK$'000	2013 HK$'000
Bags segment		
Customer a	**97,126**	203,015
Coal upgrading segment		
Customer a	**4,642**	26,837

10. Finance Costs

	2014 HK$'000	2013 HK$'000
Interest on other loans – wholly repayable within five years	**6,449**	373
Interest on loan from a related company	**–**	372
Interest on loan from a director	**324**	–
Interest on loan from a non-controlling shareholder	**3,793**	3,666
Imputed interest expenses	**4,245**	270
Bank charges	**480**	116
Total borrowing costs	**15,291**	4,797
Amount capitalised	**(3,425)**	–
	11,866	4,797

11. Income Tax Expense

	2014 HK$'000	2013 HK$'000
Current tax – Overseas		
Provision for the year	**2,565**	12,816
Under-provision in prior year	**225**	337
	2,790	13,153
Deferred tax (Note 31)	**17,529**	19,674
PRC interest withholding tax	**330**	–
	20,649	32,827

11. Income Tax Expense (Continued)

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2014 as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil).

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

(b) The reconciliation between income tax expense and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	2014 **HK$'000**	2013 HK$'000
Loss before tax	**(89,325)**	(35,376)
Tax at the PRC enterprise income tax rate of 25% (2013: 25%)	**(22,331)**	(8,844)
Expenses not deductible for tax purposes	**4,865**	3,923
Tax effect of temporary differences not recognised	**27,508**	(1,060)
Tax effect of tax loss not recognised	**2,307**	33,121
Tax losses previously recognised and reversed	**6,041**	–
Effect of different tax rates	**1,704**	1,510
Deferred tax on undistributed earnings of the PRC subsidiaries	**–**	3,840
PRC interest withholding tax	**330**	–
Under-provision in prior year	**225**	337
Income tax expense	**20,649**	32,827

12. Loss For The Year

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

	2014 HK$'000	2013 HK$'000
Auditor's remuneration	972	850
Allowance for inventories*	7,777	–
Amortisation of mining right	4,755	841
Cost of inventories sold	236,611	241,287
Depreciation of property, plant and equipment and investment properties	57,319	45,564
Impairment loss on property, plant and equipment (Note 17)	16,193	–
Impairment loss on receivables		
– trade receivables (Note 23)	72,883	11,048
– other receivables	510	–
	73,393	11,048
Loss on disposals of property, plant and equipment	603	259
Operating lease rentals in respect of land and buildings	3,583	3,112
Rental income	–	(75)

* Included in cost of inventories sold

Cost of inventories sold includes staff costs, allowance for inventories, operating lease rentals, amortisation of mining right and depreciation of approximately HK$118,441,000 (2013: HK$77,075,000) which are included in the amounts disclosed separately.

13. Staff Costs (Including Directors' Emoluments)

	2014 HK$'000	2013 HK$'000
Salaries, bonus and allowances	92,433	57,508
Retirement benefits scheme contributions	7,357	4,636
	99,790	62,144

14. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments of each director were as follows:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Inducement fees HK$'000	Retirement benefit scheme contributions HK$'000	Compensation for loss of office as director HK$'000	Total HK$'000
Mr. Xu Bin	**–**	**1,980**	**–**	**17**	**–**	**1,997**
Mr. Mak Shiu Chung Godfrey (note (a))	**–**	**720**	**–**	**16**	**–**	**736**
Mr. Zhang Fusheng	**–**	**1,160**	**–**	**106**	**–**	**1,266**
Mr. Wang Hon Chen	**192**	**–**	**–**	**–**	**–**	**192**
Mr. Kwok Chi Shing	**240**	**–**	**–**	**–**	**–**	**240**
Mr. Tsang Wai Sum (note (a))	**240**	**–**	**–**	**–**	**–**	**240**
Mr. Huang Shao Ru	**120**	**–**	**–**	**–**	**–**	**120**
Total for 2014	**792**	**3,860**	**–**	**139**	**–**	**4,791**
Mr. Xu Bin	–	1,980	–	15	–	1,995
Mr. Mak Shiu Chung Godfrey	–	1,980	–	15	–	1,995
Mr. Zhang Fusheng (note (b))	–	523	–	25	–	548
Mr. Zhang Chao Liang (note (c))	3	–	–	–	–	3
Mr. Wang Hon Chen	192	152	–	–	–	344
Mr. Kwok Chi Shing	150	–	–	–	–	150
Mr. Tsang Wai Sum	150	–	–	–	–	150
Mr. Huang Shao Ru (note (d))	90	–	–	–	–	90
Mr. Yu Yang (note (e))	72	–	–	–	–	72
Total for 2013	657	4,635	–	55	–	5,347

14. Directors' and Employees' Emoluments (Continued)

(a) *Directors' emoluments* (Continued)

Notes:

(a) Resigned on 5 February 2015

(b) Appointed on 28 June 2013

(c) Resigned on 28 June 2013

(d) Appointed on 2 April 2013

(e) Retired on 19 June 2013

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2013 and 2014.

(b) *Five highest paid individuals*

The five highest paid individuals in the Group during the Year included two (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2013: two) individuals are set out below:

	2014 **HK$'000**	2013 HK$'000
Basic salaries and allowances	**5,281**	1,272
Retirement benefits scheme contributions	**17**	30
	5,298	1,302

The emoluments fell within the following bands:

	Number of individuals **2014**	2013
HK$Nil to HK$1,000,000	**–**	2
HK$1,000,001 – HK$1,500,000	**2**	–
HK$2,500,000 – HK$3,000,000	**1**	–
	3	2

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.

15. Dividends

The directors do not recommend the payment of any final dividend (2013: Nil) in respect of the year ended 31 December 2014.

16. Loss Per Share

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$113,109,000 (2013: HK$35,114,000) and the weighted average number of ordinary shares of 276,010,979 (2013 (restated): 260,669,176) in issue during the year.

The weighted average numbers of ordinary shares for the purpose of calculating basic loss per share have been retrospectively adjusted to reflect the Share Consolidation and Open Offer during the Year. Details of the Share Consolidation and Open Offer are set out in Note 32(a) and Note 32(b) respectively.

Diluted loss per share

There were no potential ordinary shares in issue for the year ended 31 December 2014. The effect of all potential ordinary shares is anti-dilutive for the year ended 31 December 2013.

17. Property, plant and equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Mining structures HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At January 2013	190,918	880	208,806	257,657	61,077	11,590	4,835	735,763
Additions	1,364	2,115	–	22,262	1,513	269	97,799	125,322
Disposals	(6,191)	–	–	–	(128)	(3,802)	–	(10,121)
Reclassification	22,559	–	(17,078)	21,154	(26,555)	(80)	–	–
Transfer	–	–	–	9,887	31	–	(9,918)	–
Exchange differences	3,338	12	3,068	4,974	551	128	1,483	13,554
At 31 December 2013	211,988	3,007	194,796	315,934	36,489	8,105	94,199	864,518
At January 2014	**211,988**	**3,007**	**194,796**	**315,934**	**36,489**	**8,105**	**94,199**	**864,518**
Additions	**1,643**	**–**	**1,384**	**6,495**	**132**	**3,345**	**12,469**	**25,468**
Disposals/write off	**(1,402)**	**–**	**(50,125)**	**(23,585)**	**(2,075)**	**(1,135)**	**–**	**(78,322)**
Exchange differences	**(3,338)**	**(12)**	**(3,068)**	**(4,975)**	**(551)**	**(128)**	**(1,484)**	**(13,556)**
At 31 December 2014	**208,891**	**2,995**	**142,987**	**293,869**	**33,995**	**10,187**	**105,184**	**798,108**
Accumulated depreciation and impairment								
At 1 January 2013	31,455	252	56,119	69,781	15,349	5,400	–	178,356
Charge for the year	9,443	363	1,182	26,356	5,983	1,717	–	45,044
Disposals	(883)	–	–	–	(110)	(3,190)	–	(4,183)
Reclassification	3,280	–	2,898	1,041	(7,199)	(20)	–	–
Exchange differences	693	2	963	1,555	220	62	–	3,495
At 31 December 2013	43,988	617	61,162	98,733	14,243	3,969	–	222,712
At 1 January 2014	**43,988**	**617**	**61,162**	**98,733**	**14,243**	**3,969**	**–**	**222,712**
Charge for the year	**10,445**	**726**	**8,092**	**30,184**	**6,053**	**1,566**	**–**	**57,066**
Disposals/write off	**(1,402)**	**–**	**(50,126)**	**(23,012)**	**(1,462)**	**(855)**	**–**	**(76,857)**
Impairment (note (c))	**–**	**–**	**–**	**13,523**	**2,441**	**–**	**229**	**16,193**
Exchange differences	**(692)**	**(2)**	**(963)**	**(1,554)**	**(221)**	**(62)**	**–**	**(3,494)**
At 31 December 2014	**52,339**	**1,341**	**18,165**	**117,874**	**21,054**	**4,618**	**229**	**215,620**
Carrying amount								
At 31 December 2014	**156,552**	**1,654**	**124,822**	**175,995**	**12,941**	**5,569**	**104,955**	**582,488**
At 31 December 2013	168,000	2,390	133,634	217,201	22,246	4,136	94,199	641,806

17. Property, plant and equipment (Continued)

Note (a): At 31 December 2014, the carrying amount of certain buildings amounted to approximately HK$59,523,000 (2013: HK$64,023,186) for which relevant legal titles have not yet been obtained. At the date of approval of these consolidated financial statements, the application for obtaining the aforesaid legal titles is still in progress.

Note (b): At 31 December 2014, the construction work in progress of approximately HK$104,955,000 (2013: HK$94,199,000) represents a low-rank coal upgrading plant in Xilinhaote City, Inner Mongolia, the PRC, which has been constructed on a piece of land of which the Group entered into a Grant Contract for State-owned Land Use Right but the legal land use right title has not been obtained.

Note (c): The coal upgrading plant in Changchun had been running at a relatively low utilization rate due to slow-down of production suffering from geographical disadvantages resulting in higher logistics costs for transporting coal from a distance. As a result, the Group's management planned to relocate the operation and partial equipment in Changchun Plant to the new coal upgrading plant in Xilinhaote City, Inner Mongolia, the PRC. An assessment has been performed by the Group's management for the purpose of determining any impairment indication on the assets that obviously cannot be reinstalled or reused under the relocation plan and full impairment has been made on those assets. Impairment losses of approximately HK$13,523,000, HK$2,441,000 and HK$229,000 have been recognised in respect of plant and machinery, furniture, fixtures and equipment and construction in progress respectively for the Year.

18. PREPAID LAND LEASE PAYMENTS

	2014 **HK$'000**	2013 HK$'000
At 1 January	**2,895**	2,925
Amortisation for the year	**(71)**	(76)
Exchange differences	**(45)**	46
At 31 December	**2,779**	2,895
Current portion	**(71)**	(77)
Non-current portion	**2,708**	2,818

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

19. INVESTMENT PROPERTIES

	2014 HK$'000	2013 HK$'000
Cost		
At 1 January	**9,277**	–
Addition	**–**	9,131
Disposal	**(9,131)**	–
Exchange differences	**(146)**	146
At 31 December	**–**	9,277
Accumulated depreciation		
At 1 January	**527**	–
Charge for the year	**253**	520
Disposal	**(772)**	–
Exchange differences	**(8)**	7
At 31 December	**–**	527
Carrying amount		
At 31 December	**–**	8,750

At 31 December 2013, the Group's investment properties were situated outside Hong Kong under long leases.

At 31 December 2013, the fair value of the Group's investment properties was approximately HK$8,828,000. The directors use the market comparable approach to assess the fair value of the investment properties. The market comparable approach was based on market evidence of recent transactions for similar properties and adjusted to reflect the conditions and locations of the subject properties.

20. INTANGIBLE ASSET

	Mining right 2014 HK$'000	2013 HK$'000
Cost		
At 1 January	**99,060**	97,500
Exchange differences	**(1,560)**	1,560
At 31 December	**97,500**	99,060
Accumulated amortisation		
At 1 January	**5,130**	4,208
Amortisation for the year	**4,755**	841
Exchange differences	**(81)**	81
At 31 December	**9,804**	5,130
Carrying amount		
At 31 December	**87,696**	93,930

The mining right represents the purchase cost of the exclusive right for certain volume of underground coal extracted at Inner Mongolia Mine 958 which expires on 4 July 2037.

21. GOODWILL

	2014 HK$'000	2013 HK$'000
Cost		
At 1 January and 31 December	**2,907**	2,907

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that is expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the coal upgrading CGU.

The recoverable amount of the CGU is determined on the basis of its value in use. The key assumptions for the discounted cash flow method are those regarding the discount rate, inflation rate and budgeted turnover during the period. The Group estimates discount rate using pre-tax rate that reflect current market assessment of the time value of money and the risks specific to the CGU. The inflation rate is based on average inflation rate of the geographical area in which the business of the CGU operates. Budgeted turnover is based on past practices and expectations on service volume and unit price.

The Group prepares cash flow forecasts derived from the most recent financial budget approved by the directors for the next five years with the residual period using the inflation rate of Nil% (2013: 3%). This rate does not exceed the average inflation rate for the relevant markets.

The pre-tax rate used to discount the forecast cash flows from the Group's coal upgrading income is 19.4% (2013: 14.5%).

22. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**19,129**	27,498
Work in progress	**1,489**	4,826
Finished goods	**9,504**	13,640
	30,122	45,964

23. TRADE AND BILL RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**126,418**	116,734
Impairment loss on trade receivables	**(74,883)**	(2,000)
	51,535	114,734
Bill receivables	**3,538**	23,838
	55,073	138,572

The general credit terms of sales of bags and barrels, sales of coal and coal upgrading business are 30 days and payment in advance is required for certain customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

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

	2014 HK$'000	2013 HK$'000
0 to 90 days	**18,571**	83,312
91 to 180 days	**5,182**	29,425
181 to 365 days	**27,459**	564
Over 365 days	**323**	1,433
	51,535	114,734

23. TRADE AND BILL RECEIVABLES (Continued)

As of 31 December 2014, trade receivables of approximately HK$45,617,000 (2013: HK$91,105,000) were past due but not impaired. These relate to several independent customers that have good track record with the Group. The ageing analysis of these trade receivables is as follows:

	2014 HK$'000	2013 HK$'000
Up to 90 days	**12,653**	59,683
91 to 180 days	**5,182**	29,425
181 to 365 days	**27,459**	564
Over 365 days	**323**	1,433
	45,617	91,105

These overdue balances relate to several independent customers that have good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

As of 31 December 2014, an impairment loss of approximately HK$74,883,000 (2013: HK$2,000,000) was made for estimated irrecoverable trade receivables which relate to customers that were in financial difficulties. It was assessed that these receivables are expected to be irrecoverable.

Reconciliation of allowance for trade receivables:

	2014 HK$'000	2013 HK$'000
At 1 January	**2,000**	–
Impairment loss recognised for the year	**72,883**	11,048
Amounts written off	**–**	(9,048)
At 31 December	**74,883**	2,000

The carrying amounts of the Group's trade receivables are denominated in Renminbi ("**RMB**").

24. RESTRICTED BANK DEPOSITS

The Group's restricted bank deposits of approximately HK$7,938,000 (2013: HK$8,117,000) are the deposits kept for the coal mining business, which are required by related coal mining regulations in the PRC. The aforesaid deposits are in RMB and at market interest rate.

25. BANK AND CASH BALANCES

At 31 December 2014, the Group's bank and cash balances denominated in RMB and kept in the PRC amounted to approximately HK$19,980,000 (2013: HK$16,321,000). 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.

26. TRADE PAYABLES

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

	2014	2013
	HK$'000	HK$'000
0 to 90 days	**1,135**	7,561
91 to 180 days	**1,514**	592
181 to 365 days	**1,730**	295
Over 365 days	**2,122**	5,758
	6,501	14,206

The carrying amounts of the Group's trade payables are wholly denominated in RMB.

27. OTHER PAYABLES

At 31 December 2014, amounts due to various coal mine constructors of approximately HK$4,351,000 (2013: HK$39,636,000), which are unsecured, non-interest bearing and with terms due for repayment within two years (2013: two to three years), are shown under the non-current liabilities in the consolidated statement of financial position.

This non-current portion of other payables is carried at amortised cost using an effective interest rate of 6% (2013: 6.15%) per annum. Fair value adjustment upon the initial recognition of such other payables had been recognised in the profit or loss for the year ended 31 December 2013.

28. DUE TO NON-CONTROLLING SHAREHOLDERS

The analysis of the carrying amount of the amounts due to non-controlling shareholders is as follows:

	Note	2014 HK$'000	2013 HK$'000
Current liabilities			
Advances	(a)	**5,583**	5,673
Other payables	(b)	**6,869**	3,125
Loans	(c)	**9,375**	–
		21,827	8,798
Non-current liabilities			
Loans	(c)	**3,518**	77,547
		25,345	86,345

Notes:

(a) The advances are unsecured, interest-free and repayable on demand.

(b) The other payables are unsecured, interest-free and repayable at normal business term.

(c) Details of the loans from non-controlling shareholders are set out as below:

Fully repayable on:	Interest rate	Security	2014 HK$'000	2013 HK$'000
30 June 2015	Nil	Nil	–	9,291
2 July 2015	Nil	Nil	–	23,687
16 August 2015	10.2% p.a. (2013: 10.2% p.a.)	Nil	**9,375**	40,084
30 November 2017 (2013: 30 November 2015)	Nil	Nil	**3,518**	4,485
			12,893	77,547

Loans from non-controlling shareholders that repayable after one year are included in non-current liabilities and are recognised based on the effective interest method with the prevailing market interest rate of 6% (2013: 6.15%) per annum. At 31 December 2014, the principal amounts of these loans from non-controlling shareholders are approximately HK$13,545,000 (2013: HK$78,276,000).

The loan from a non-controlling shareholder of approximately HK$9,375,000 (2013: HK$40,084,000) is arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The carrying amounts are wholly denominated in RMB.

28. DUE TO NON-CONTROLLING SHAREHOLDERS (Continued)

The directors estimate the fair value of the amounts due to non-controlling shareholders, by discounting their future cash flows at the market rate, to be as follows:

	2014 HK$'000	2013 HK$'000
Advances	**5,583**	5,673
Others	**6,869**	3,125
Loans	**12,893**	76,934
	25,345	85,732

29. DUE TO A DIRECTOR

The analysis of the carrying amount of the amounts due to a director is as follows:

	Note	2014 HK$'000	2013 HK$'000
Current liabilities			
Other payables	(a)	**2,611**	1,636
Loan	(b)	**4,000**	–
		6,611	1,636
Non-current liabilities			
Loans	(b)	**25,193**	–
		31,804	1,636

29. DUE TO A DIRECTOR (Continued)

Notes:

(a) The other payables, included licence fees payable of approximately HK$2,583,000 (2013: HK$1,583,000), are unsecured, interest-free and repayable on demand.

(b) Details of the loans from a director are set out as below:

Fully repayable on:	Interest rate	Security	2014 HK$'000	2013 HK$'000
31 December 2015	5%	Nil	**4,000**	–
31 March 2016	5%	Nil	**3,000**	–
30 June 2016	5%	Nil	**1,000**	–
31 October 2017	Nil	Nil	**21,193**	–
			29,193	–

Loans from a director that repayable after one year are included in non-current liabilities and are recognised based on the effective interest method with the prevailing market interest rate of 6% per annum. As at 31 December 2014, the principal amounts of these loans from a director are approximately HK$33,000,000.

Loans from a director of approximately HK$8,000,000 are arranged at fixed rates, thus exposing the Group to fair value interest rate risk.

The carrying amounts are denominated in the following currencies:

	Hong Kong dollar HK$'000	RMB HK$'000	Total HK$'000
2014			
Other payables	**28**	**2,583**	**2,611**
Loans	**8,000**	**21,193**	**29,193**
	8,028	**23,776**	**31,804**
2013			
Other payables	–	1,636	1,636

The directors estimate the fair value of amounts due to a director, by discounting their future cash flows at the market rate, to be as follows:

	2014 HK$'000	2013 HK$'000
Other payables	**2,611**	1,636
Loans	**29,193**	–
	31,804	1,636

30. OTHER LOANS

Other loans are repayable as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**6,350**	–
In the second year	**5,318**	70,030
In the third to fifth years, inclusive	**53,723**	15,106
	65,391	85,136
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(6,350)**	–
Amount due for settlement after 12 months	**59,041**	85,136

The carrying amounts of the Group's other loans are denominated in RMB.

The average interest rate at 31 December was 6.4% (2013: 5.5%) per annum.

Other loans are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

The directors estimate the fair value of the Group's other loans, by discounting their future cash flows at the market rate, to be approximately of HK$65,391,000 (2013: HK$84,892,000).

31. Deferred Tax

The following are the major deferred tax assets/(liabilities) recognised by the Group:

	Decelerated tax depreciation HK$'000	Future deductible expenses HK$'000	Tax loss HK$'000	Undistributed earnings of the PRC subsidiaries HK$'000	Total HK$'000
At 1 January2013	6,129	50,942	–	(9,486)	47,585
Credit/(charge) to profit or loss for the year (Note 11)	8,957	(50,568)	25,777	(3,840)	(19,674)
Withholding tax paid	–	–	–	1,262	1,262
Exchange differences	241	5	414	–	660
At 31 December 2013 and 1 January 2014	**15,327**	**379**	**26,191**	**(12,064)**	**29,833**
Charge to profit or loss for the year (Note 11)	**(360)**	**(3,819)**	**(13,350)**	**–**	**(17,529)**
Exchange differences	**(240)**	**(6)**	**(414)**	**–**	**(660)**
At 31 December 2014	**14,727**	**(3,446)**	**12,427**	**(12,064)**	**11,644**

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2014 HK$'000	2013 HK$'000
Deferred tax assets	**23,708**	41,897
Deferred tax liabilities	**(12,064)**	(12,064)
	11,644	29,833

At the end of the reporting period the Group has unused tax losses of approximately HK$207,454,000 (2013: HK$236,055,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$49,708,000 (2013: HK$104,761,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$157,746,000 (2013: HK$131,294,000) due to the unpredictability of future profit streams. The tax losses will expire in 2018.

32. Share Capital

	Note	**2014** Number of shares '000	**2014** Amount HK$'000	2013 Number of shares '000	2013 Amount HK$'000
Authorised:					
Ordinary shares of HK$0.50 (2013: HK$0.10) each	(a)	**2,000,000**	**1,000,000**	10,000,000	1,000,000
Ordinary shares, issued and fully paid:					
At 1 January		**1,146,193**	**114,619**	919,332	91,933
Share consolidation	(a)	**(916,954)**	**–**	–	–
Issue of shares on Open Offer	(b)	**229,239**	**114,620**	–	–
Exercise of warrants	(c)	**–**	**–**	35,829	3,583
Issue of bonus shares	(d)	**–**	**–**	191,032	19,103
At 31 December		**458,478**	**229,239**	1,146,193	114,619

Notes:

(a) Pursuant to an ordinary resolution passed on 20 October 2014, every 5 ordinary shares of HK$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.50 each in the issued and unissued share capital of the Company.

(b) On 4 December 2014, 229,238,583 ordinary shares of HK$0.50 each were issued at par by way of an Open Offer on the basis of one offer shares for every one share held. The net proceed of approximately HK$111,869,000 was used to finance the construction of production plant, repayment of loan and as general working capital of the Group. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

(c) On 4, 8 and 10 January 2013, 10,000,000, 10,000,000 and 15,828,572 shares of the Company were issued upon exercise of warrants at an exercise price of HK$0.7 per share, and the premium on the issue of shares, amounting to approximately HK$21,497,000 was credited to the Company's share premium account (Note 34(a)).

(d) On 11 October 2013, 191,032,153 new ordinary shares of HK$0.10 each were allotted and issued as bonus shares on the basis of two bonus shares for every ten shares held by the shareholders. The bonus shares rank pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment.

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.

32. Share Capital (Continued)

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. At 31 December 2014, 59.63% (2013: 76.75%) of the shares were in public hands.

33. Share Option Scheme

The Company's share option scheme (the "**Scheme**") was adopted on 20 August 2009 for a period of 10 years. A summary of the principal terms of the Scheme is set out in the circular of the Company dated 4 August 2009.

Under the Scheme, the directors may, at their discretion, offer options to Participants (as defined in the circular of the Company dated 4 August 2009) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK$
Independent third party contractors	9 January 2012	Nil	9 January 2012 to 8 January 2014	0.563*

33. Share Option Scheme (Continued)

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

	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January, 31 December 2013 and 1 January 2014	105,120,000	0.563
Expired during the year	**(105,120,000)**	**0.563**
Outstanding at 31 December 2014	–	–
Exercisable at 31 December 2014	–	–
Exercisable at 31 December 2013	105,120,000	0.563

* The number of share options and exercise price had been adjusted to reflect the bonus issue during the year ended 31 December 2013.

At 31 December 2013, the options outstanding have weighted average remaining contractual life of 0.1 year and the exercise price was HK$0.563. On 8 January 2014, 105,120,000 share options with exercise price of HK$0.563 each were expired.

34. Warrants

	Note	Number of warrants	Weighted average exercise price HK$
Outstanding at 1 January 2013		133,760,000	0.70
Exercise of warrants			
– 4 January 2013	(a)	(10,000,000)	0.70
– 8 January 2013	(a)	(10,000,000)	0.70
– 10 January 2013	(a)	(15,828,572)	0.70
Adjustment upon the issue of bonus shares	(b)	20,261,675	0.58
Outstanding at 31 December 2013 and 1 January 2014		118,193,103	0.58
Expired during the year	(c)	**(118,193,103)**	**0.58**
Outstanding at 31 December 2014		**–**	**–**

(a) On 4, 8 and 10 January 2013, 10,000,000, 10,000,000 and 15,828,572 warrants were exercised at HK$0.7 per share resulting for total cash proceeds of approximately HK$25,080,000 to the Company (Note 32(c)).

(b) Subsequent to the issue of bonus shares of the Company on 11 October 2013 (Note 32(d)), the exercise price was adjusted to HK$0.58 per warrant and the number of shares exercisable of the warrants outstanding was increased by 20,261,675.

(c) On 17 January 2014, 118,193,103 warrants with exercise price of HK$0.58 each were expired.

35. Financial Position of the Company

	Note	**2014 HK$'000**	2013 HK$'000
Interests in subsidiaries		**365,953**	343,792
Other current assets		**84,990**	535
Other liabilities		**(47,625)**	(37,758)
NET ASSETS		**403,318**	306,569
Share capital		**229,239**	114,619
Other reserves	36(b)	**284,394**	302,857
Accumulated losses		**(110,315)**	(110,907)
TOTAL EQUITY		**403,318**	306,569

36. Other Reserves

(a) Group

	Note	Share premium HK$'000	Capital reserve HK$'000	Future development fund HK$'000	Safety fund HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Warrants reserve HK$'000	Total HK$'000
At 1 January 2013		280,534	(1,628)	17,643	10,911	59,380	14,892	1,120	382,852
Exercise of warrants	32(c)	21,497	–	–	–	–	–	–	21,497
Issue of bonus shares	32(d)	(19,103)	–	–	–	–	–	–	(19,103)
Transfer to share premium upon exercise of warrants		300	–	–	–	–	–	(300)	–
Net appropriations		–	–	(5,647)	2,890	–	–	–	(2,757)
Other comprehensive income:									
Exchange differences on translating foreign operations		–	–	–	–	7,681	–	–	7,681
At 31 December 2013		283,228	(1,628)	11,996	13,801	67,061	14,892	820	390,170
At 1 January 2014		**283,228**	**(1,628)**	**11,996**	**13,801**	**67,061**	**14,892**	**820**	**390,170**
Issue of shares	32(b)	**(2,751)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,751)**
Expiry of share options		**–**	**–**	**–**	**–**	**–**	**(14,892)**	**–**	**(14,892)**
Expiry of warrants		**–**	**–**	**–**	**–**	**–**	**–**	**(820)**	**(820)**
Net appropriations		**–**	**–**	**2,124**	**9,429**	**–**	**–**	**–**	**11,553**
Other comprehensive income:									
Exchange differences on translating foreign operations		**–**	**–**	**–**	**–**	**(7,629)**	**–**	**–**	**(7,629)**
At 31 December 2014		**280,477**	**(1,628)**	**14,120**	**23,230**	**59,432**	**–**	**–**	**375,631**

36. Other Reserves (Continued)

(b) *Company*

	Note	Share premium HK$'000	Capital reserve HK$'000	Share-based payment reserve HK$'000	Warrants reserve HK$'000	Total HK$'000
At 1 January 2013		280,534	3,917	14,892	1,120	300,463
Exercise of warrants	32(c)	21,497	–	–	–	21,497
Issue of bonus shares	32(d)	(19,103)	–	–	–	(19,103)
Transfer to share premium upon exercise of warrants		300	–	–	(300)	–
At 31 December 2013		283,228	3,917	14,892	820	302,857
At 1 January 2014		**283,228**	**3,917**	**14,892**	**820**	**302,857**
Issue of shares	32(b)	**(2,751)**	**–**	**–**	**–**	**(2,751)**
Expiry of share options		**–**	**–**	**(14,892)**	**–**	**(14,892)**
Expiry of warrants		**–**	**–**	**–**	**(820)**	**(820)**
At 31 December 2014		**280,477**	**3,917**	**–**	**–**	**284,394**

(c) *Nature and purpose of reserves*

(i) Share premium account

Under the Companies Law 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.

(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.

36. Other Reserves (Continued)

(c) *Nature and purpose of reserves* (Continued)

(iii) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB9.5 (2013: RMB9.5) per ton of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditure, an equivalent amount is transferred from future development fund to retained earnings.

(iv) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund at RMB15 (2013: RMB15) per ton of raw coal mined. The fund can be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

(v) 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 4(c)(iii) to the financial statements.

(vi) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to the Participants of the Group recognised in accordance with the accounting policy adapted for equity-settled share-based payments in Note 4(s) to the financial statements.

(vii) Warrants reserve

Warrants reserve represents the net proceeds received from the issue of warrants of the Company. Warrants reserve will be transferred to share premium account upon the exercise if the warrants or released to retained profits if the warrants remain unexercised at the expiry date.

37. Notes to the Consolidated Statement of Cash Flows

Major non-cash transaction

During the Year, the Group sold certain motor vehicles for settlement of its trade payables of approximately HK$527,000 (2013: HK$374,000).

38. Capital Commitments

At 31 December 2014, the Group had capital commitments as follows:

	2014 **HK$'000**	2013 HK$'000
Contracted but not provided for		
Mining structures	**–**	197
Plant and equipment	**45,426**	49,919
Prepaid land lease payments	**19,647**	–
	65,073	50,116

39. Lease Commitments

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**3,017**	3,762
In the second to fifth years inclusive	**3,236**	5,143
After five years	**781**	1,429
	7,034	10,334

40. Related Party Transactions

Apart from those transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the Year:

	2014 HK$'000	2013 HK$'000
License fee payable to a director		
– charge for the year	**1,000**	999
– under-provision in prior year	**–**	584
Loan interest paid to a director	**324**	–
Loan interest paid to a related company	**–**	372

41. Principal Subsidiaries

Name	Place of registration and operation	Paid up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Changchun Yicheng Packing Company Limited (1)	The PRC	RMB60,000,000	100%	Manufacturing and sale of plastic woven bags, paper bags and plastic barrels
Changchun Guochuan Energy and Technology Development Company Limited (2)	The PRC	RMB5,000,000	80%	Coal upgrading
Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**") (2)	The PRC	USD45,000,000	56.2%	Production and sale of coal
Jilin Province De Feng Commodity Economics and Trading Co., Limited ("**Jilin De Feng**") (2)	The PRC	RMB20,000,000	51%	Coal trading
Xilinhaote Guochuan (1)	The PRC	RMB30,000,000	100%	Coal upgrading (3)

41. Principal Subsidiaries (Continued)

(1) Wholly-owned foreign enterprise

(2) Sino-foreign equity joint venture

(3) As at 31 December 2014, the coal upgrading structure was still under construction (Note 17(b)) and its business has not yet commenced.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The following table shows information of subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company elimination.

Name	**Jilin De Feng**		**Inner Mongolia Jinyuanli**	
	2014	2013	**2014**	2013
Principal place of business/country of incorporation	**PRC/PRC**		**PRC/PRC**	
% of ownership interests/voting rights held by NCI	**49%/49%**	49%/49%	**43.8%/43.8%**	43.8%/43.8%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**1,655**	234	**485,175**	553,459
Current assets	**70,430**	77,655	**35,688**	57,852
Non-current liabilities	**–**	–	**(4,351)**	(94,826)
Current liabilities	**(18,534)**	(22,219)	**(364,043)**	(382,616)
Net assets	**53,551**	55,670	**152,469**	133,869
Accumulated NCI	**26,232**	27,270	**67,059**	58,913
Year ended 31 December:				
Turnover	**–**	–	**241,175**	56,297
Profit/(loss) for the year	**(1,242)**	(1,718)	**20,709**	(75,474)
Total comprehensive income	**(2,118)**	(841)	**18,601**	(73,366)
Profit/(loss) allocated to NCI	**(1,038)**	(412)	**8,146**	(32,134)
Dividends paid to NCI	**–**	–	**–**	–
Net cash generated from/(used in) operating activities	**10,489**	(20)	**5,171**	2,493
Net cash used in investing activities	**(1,500)**	–	**(6,561)**	(1,176)
Net increase/(decrease) in cash and cash equivalents	**8,989**	(20)	**(1,390)**	1,317

42. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2015.