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DeTeam Company Limited

弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

ACQUISITION OF 51% EQUITY INTEREST IN JILIN DE FENG MATERIAL TRADING COMPANY LIMITED

The Board announces that on 24 April 2008, KRL, an indirect wholly-owned subsidiary of the Company (as the purchaser) entered into the Equity Transfer Agreement with YYE (as the vendor) in relation to the acquisition of the Equity Interest at a total consideration of RMB2,550,000 (approximately HK\$2,805,000). Currently, YYE holds the entire equity interest in the registered capital of De Feng. Upon completion of the Equity Transfer Agreement, KRL and YYE will hold 51% and 49% equity interests in the registered capital of De Feng respectively, De Feng will become a subsidiary of the Company and its financials will be consolidated into the Company's accounts.

Given that YYE has a 43.8% equity interest in the First JV Company and a 49% equity interest in the Second JV Company, both of which are indirect non-wholly owned subsidiaries of the Company, YYE is a connected person of the Company pursuant to Rule 20.11 of the GEM Listing Rules. Accordingly, the acquisition by KRL of the Equity Interest from YYE constitutes a connected transaction of the Company under Rule 20.13(1)(a) of the GEM Listing Rules. Since the Acquisition falls below the threshold under Rule 20.32 of the GEM Listing Rules, it is exempt from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules.

As the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 19.06(2) of the GEM Listing Rules. A circular containing, among other things, further details of the Acquisition will be dispatched to the shareholders of the Company as soon as practicable.

THE EQUITY TRANSFER AGREEMENT

Date

24 April 2008

Parties

- (i) YYE, a company established in the PRC and a connected person of the Company under the GEM Listing Rules (as the vendor); and
- (ii) KRL, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company (as the purchaser).

Assets to be acquired

Pursuant to the Equity Transfer Agreement, KRL has agreed to purchase and YYE has agreed to sell the Equity Interest.

Consideration

The consideration payable by KRL to YYE for the Acquisition is RMB2,550,000 (approximately HK\$2,805,000), which will be satisfied by way of cash in one lump sum by KRL to YYE within five Business Days upon Completion. The consideration will be financed by the internal resources of the Group.

The consideration for the Acquisition was determined after arm's length negotiations between KRL and YYE by reference to the amount of the registered capital contributed by KRL and YYE to De Feng respectively. Upon Completion, KRL and YYE will hold 51% and 49% equity interests in the registered capital of De Feng respectively, De Feng will become a subsidiary of the Company and its financials will be consolidated into the Company's account.

Conditions precedent

Completion of the Acquisition is subject to (a) all necessary approvals from the relevant PRC authorities of the transactions contemplated under the Equity Transfer Agreement, including but not limited to, the delivery of all necessary certified permissions and approvals in respect of the registration of the change of equity structure of De Feng; (b) all of the representations and warranties by the parties in the Equity Transfer Agreement remain true and correct on the date of Completion; (c) KRL having completed and being satisfied with the financial, legal and operational due diligence on De Feng; and (d) execution of the new joint venture agreement and the new articles of association by YYE and KRL in relation to De Feng in the form to the satisfaction of KRL.

Completion

Completion shall take place after obtaining all relevant approvals from the relevant PRC authorities and upon compliance with the applicable transfer and registration procedures under the PRC law with respect to the Equity Transfer Agreement. Completion is expected to take place within 90 days from the date of the Equity Transfer Agreement.

Information on De Feng

De Feng was established in the PRC on 26 July 2006 as a limited liability company. The registered capital of De Feng is RMB5,000,000 (approximately HK\$5,500,000). The entire equity interest of De Feng is presently owned by YYE, the original acquisition cost of the Equity Interest by YYE was RMB2,550,000 (approximately HK\$2,805,000). De Feng is principally engaged in the sale of different construction materials and mechanical and electrical equipment and the wholesale and retail of coal and sale of coal-related equipment. YYE has no outstanding capital commitment or guarantee with respect to De Feng. Upon completion of the Equity Transfer Agreement, De Feng will become a subsidiary of the Company and its financials will be consolidated into the Company's accounts.

The net asset value and net losses before and after taxation and extraordinary items for the two years ended 31 December 2007 under the PRC GAAP are as follows:–

	Year ended 31 December 2006 <i>HK\$'000</i>	Year ended 31 December 2007 <i>HK\$'000</i>
Loss before taxation and extraordinary items	75	47
Loss after taxation and extraordinary items	75	47
Net asset value	2,125	5,376

REASONS FOR THE ACQUISITION

The Group is principally engaged in the production and sale of plastic woven bags and the sale and purchase and distribution of coal in the PRC.

The Company announced on 7 June 2007 that, on 1 June 2007, KRL entered into a joint venture agreement with YYE for the establishment of the Second JV Company, which would be engaged in the sale and purchase, and distribution of coal to be extracted from the Open-Pit Coal Mine. By an announcement dated 9 August 2007, the Company announced that the Second JV Company has been properly established to be engaged in the sale and purchase and distribution of coal to be extracted from the Open-Pit Coal Mine. However, as the Second JV Company could not obtain an appropriate coal trading business license from the relevant PRC government authority of Tongliao City, notwithstanding there being no specific legal restriction, the Company has not yet contributed and paid up the registered capital of the Second JV Company and as a

result, the incorporation of the Second JV Company has not yet been completed. After discussion with YYE, the Group decided to change the manner of formation of the Second JV Company via an acquisition, instead of a new incorporation, in accordance with PRC law. De Feng has the relevant coal trading business licence and was recently acquired by YYE for this purpose and through the Acquisition, the desired shareholding in the Second JV Company would be achieved. It is intended that De Feng will substitute the Second JV Company. Accordingly, the Open-Pit Coal Supply Agreement will be terminated and the Second JV Company will be dissolved or deregistered in accordance with applicable PRC laws. The Board believes that the Acquisition is beneficial to the Group as it will have the relevant coal trading license to engage in the sale and purchase, and distribution of coal to be extracted from the Open-Pit Coal Mine.

Taking into account the abovementioned factors, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are on normal commercial terms and such terms are fair and reasonable in the interests of the shareholders of the Company as a whole.

GEM LISTING RULES IMPLICATIONS

Given that YYE has a 43.8% equity interest in the First JV Company and a 49% equity interest in the Second JV Company, both of which are indirect non-wholly owned subsidiaries of the Company, YYE is a connected person of the Company pursuant to Rule 20.11 of the GEM Listing Rules. Accordingly, the acquisition by KRL of the Equity Interest from YYE constitutes a connected transaction of the Company under Rule 20.13(1)(a) of the GEM Listing Rules. Since the Acquisition falls below the threshold under Rule 20.32 of the GEM Listing Rules, it is exempt from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules.

As the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 19.06(2) of the GEM Listing Rules. A circular containing, among other things, further details of the Acquisition will be dispatched to the shareholders of the Company as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Acquisition”	the acquisition of the Equity Interest by KRL pursuant to the terms of the Equity Transfer Agreement
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are open for business in Hong Kong

“Company”	DeTeam Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“De Feng”	吉林省德峰物資經貿有限責任公司 (Jilin De Feng Material Trading Company Limited*), a company established in the PRC and is entirely owned by YYE
“Directors”	directors of the Company
“Equity Interest”	the 51% equity interest in the registered capital of De Feng
“Equity Transfer Agreement”	the equity transfer agreement dated 24 April 2008 entered into between KRL and YYE in relation to the Acquisition
“First JV Company”	內蒙古金源里井工礦業有限公司 (Inner Mongolia Haolinguole Jinhongyuan Company Limited*), an equity joint venture company established in the PRC who is principally engaged in the sale and purchase, and distribution of coal to be extracted from the Underground Coal Mine
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“KRL”	Kotan Resources (China) Limited (高達資源 (中國) 有限公司), a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company and a party to the Second JV Agreement
“Open-Pit Coal Mine”	the open-pit coal mine located in Inner Mongolia known as “Area 958”, in Inner Mongolia, which has an output of approximately three million tons of coal per year, and which is owned by YYE who has obtained the relevant approval and mining license from the relevant PRC government authority to excavate coal therefrom
“Open-Pit Coal Supply Agreement”	the agreement entered into between the Second JV Company and YYE on 1 June 2007 for the purchase by the Second JV Company from YYE of coal required by the Second JV Company on an ongoing basis and the lease by the Second JV Company from YYE of a station platform for the transportation of coal on an ongoing basis
“PRC”	the People’s Republic of China
“Second JV Company”	the equity joint venture company to be established in the PRC pursuant to the Second JV Agreement, with the proposed name of 通遼弘源煤炭運銷有限責任公司 (Tongliao Hongyuan Coal Transportation and Sales Company Limited*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underground Coal Mine”	the underground coal mine located below “Area 958” in Inner Mongolia, which has an estimated reserve of approximately 372 million tons of coal, owned by YYE which has obtained the relevant approval and mining license from the relevant PRC government authority to excavate coal therefrom

“YYE”

內蒙古源源能源有限責任公司 (Inner Mongolia Yuan Yuan Energy Resources Company Limited*), a company established in the PRC and a connected person of the Company which is principally engaged in coal mine refinery, excavation of coal, processing of coal and sale of coal in the PRC

“%”

per cent.

For the purpose of this announcement, translations of RMB into Hong Kong dollars are made for illustration purposes only at the exchange rate of HK\$1.0 to RMB1.1.

By Order of the Board
Mak Shiu Chung, Godfrey
Chairman

Hong Kong, 24 April 2008

* *for identification purpose only*

At the date of this announcement, the Board comprises:

Executive Directors

Mr. Mak Shiu Chung, Godfrey
Mr. Zhang Chao Liang
Mr. Wang Hon Chen

Independent Non-Executive Directors

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

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that, to the best of their knowledge and belief; (1) the information contained in this announcement is accurate and complete in all material respects and not misleading, (2) there are no other matters the omission of which would make any statement in this announcement misleading, and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.