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DeTeam Company Limited

弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to (i) the CCT Circular in relation to, among other things, the Open-Pit Coal Supply Agreement entered into between YYE and the Second JV Company; and (ii) the DCT Circular in relation to the acquisition of 51% equity interest in De Feng by the Group.

Prior Non-Compliant Non-Exempt Continuing Connected Transactions

As the Company and YYE have agreed to substitute De Feng with the Second JV Company to carry out transactions, which are under the same terms as the Open-Pit Coal Supply Agreement, due to misunderstanding, the management of the Company was under the impression that De Feng has automatically substituted the Second JV Company under the Open-Pit Coal Supply Agreement and that the previously approved annual caps would apply. The transactions between YYE and De Feng for the supply of coal for the period from 1 September 2008 to 30 November 2008 in the amount of RMB12,735,832 (approximately HK\$14,473,000) have exceeded the threshold under Rule 20.34(2) of the GEM Listing Rules and have not been reported and announced by the Company or approved by the Independent Shareholders. Such non-compliance by the Company constitutes a breach of the GEM Listing Rules. An EGM will be convened for the purpose of, inter alia, obtaining the approval of the Independent Shareholders to ratify the supply of coal by YYE to De Feng since 1 September 2008.

Non-Exempt Continuing Connected Transactions

Given the completion of the acquisition of De Feng at the end of August 2008, the termination of the Open-Pit Coal Supply Agreement and the continual supply of coal by YYE to De Feng, De Feng has entered into the New Open-Pit Coal Supply Agreement with YYE for the purchase by De Feng of coal from YYE and the lease by De Feng from YYE of a station platform for the transportation of coal.

Given that YYE has a 49% equity interest in De Feng, which is an indirect non-wholly owned subsidiary of the Company, YYE is a connected person of the Company pursuant to Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the New Open-Pit Coal Supply Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules. As each of the relevant percentage ratios for the annual caps under the New Open-Pit Coal Supply Agreement is more than 2.5%, the transactions contemplated under the New Open-Pit Coal Supply Agreement constitute non-exempt continuing connected transactions under Rule 20.35 of the GEM Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements under Rules 20.45 to 20.48 of the GEM Listing Rules.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on whether the Prior Non-Compliant Non-Exempt Continuing Connected Transactions, the terms of the Non-Exempt Continuing Connected Transactions and the relevant annual caps are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the shareholders of the Company as a whole as required under Rule 20.22(4) of the GEM Listing Rules. YYE and its associates do not currently hold any Share in the Company. However, YYE and its associates (should they become Shareholders before the EGM) are required to abstain from voting in respect of the proposed resolutions in relation to the Prior Non-Compliant Non-Exempt Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions. In accordance with the GEM Listing Rules, the vote to be taken at the EGM with respect to the Continuing Connected Transactions shall be conducted by poll.

A circular containing among other things, further details of the Continuing Connected Transactions, a letter from the Independent Board Committee, a letter setting out the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Continuing Connected Transactions together with a notice convening the EGM to ratify the Prior Non-Compliant Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the relevant annual caps under the Non-Exempt Continuing Connected Transactions will be dispatched to the Shareholders as soon as possible.

BACKGROUND

Reference is made to (i) the CCT Circular in relation to, among other things, the Open-Pit Coal Supply Agreement entered into between YYE and the Second JV Company; and (ii) the DCT Circular in relation to the acquisition of 51% equity interest in De Feng by the Group.

PRIOR NON-COMPLIANT NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Transactions under the Open-Pit Coal Supply Agreement and the relevant annual caps for the period from 6 August 2007 until 31 December 2007 and each of the years ending 31 December 2008 and 31 December 2009 were approved by the Independent Shareholders at the previous extraordinary general meeting of the Company on 6 August 2007.

As the Second JV Company could not obtain an appropriate coal trading business license from the relevant PRC government authority, the Group acquired 51% equity interest in De Feng, which has the relevant coal trading business license, with the intention that De Feng would substitute the Second JV Company.

As the Company and YYE have agreed to substitute De Feng with the Second JV Company to carry out transactions, which are under the same terms as the Open-Pit Coal Supply Agreement, due to misunderstanding, the management of the Company was under the impression that De Feng has automatically substituted the Second JV Company under the Open-Pit Coal Supply Agreement and that the previously approved annual caps would apply. The transactions between YYE and De Feng for the supply of coal for the period from 1 September 2008 to 30 November 2008 in the amount of RMB12,735,832 (approximately HK\$14,473,000) have exceeded the threshold under Rule 20.34(2) of the GEM Listing Rules and have not been reported and announced by the Company or approved by the Independent Shareholders. Such non-compliance by the Company constitutes a breach of the GEM Listing Rules.

The omission by the Company was wholly unintentional. As soon as the issue has been identified, the Company has taken immediate steps to investigate the matter, sought legal advice and notified the Stock Exchange.

The Board considers that the omission, which was inadvertent, to be an isolated event and the Company will tighten its compliance system in order to prevent a repetition of a similar incident in the future.

An EGM will be convened for the purpose of, inter alia, obtaining the approval of the Independent Shareholders to ratify the supply of coal by YYE to De Feng since 1 September 2008.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Given the completion of the acquisition of De Feng at the end of August, the termination of the Open-Pit Coal Supply Agreement and the continual supply of coal by YYE to De Feng, De Feng has entered into the New Open-Pit Coal Supply Agreement with YYE for the purchase by De Feng of coal from YYE and the lease by De Feng from YYE of a station platform for the transportation of coal.

NEW OPEN-PIT COAL SUPPLY AGREEMENT

Date:

3 December 2008

Parties:

- (1) YYE, a limited liability company incorporated in the PRC and is principally engaged in coal mine refinery, excavation of coal, processing of coal and sale of coal in the PRC (as the supplier); and
- (2) De Feng, a limited liability company incorporated in the PRC and is principally engaged in the sale of different construction material and mechanical electrical equipment and the wholesale and retail of coal and sale of coal-related equipment (as the purchaser).

Subject matter:

- (i) Purchase of coal which may be required by De Feng and which YYE may be able to supply in circumstances which are of commercial benefit to the Group. In this regard, YYE has committed that it will be able to supply De Feng at least 800,000 tons of coal per year; and
- (ii) Lease of a station platform located at Inner Mongolia Mine 958 on the Tong Huo railway by YYE to De Feng.

Price:

During the current term of the New Open-Pit Coal Supply Agreement, the price for the supply of coal shall be RMB40 less than the prevailing market rate.

During the current term of the New Open-Pit Coal Supply Agreement, if the supply of coal exceeds 800,000 tons, the price for the lease of a station platform will be RMB8 (approximately HK\$9.09) per ton or at such lower market rate to be agreed between YYE and De Feng. If the supply of coal is below 800,000 tons, YYE will not charge De Feng for the lease of a station platform.

Payment terms:

Payment for the supply of coal and the lease of a station platform shall be payable on a monthly basis.

Term:

The New Open-Pit Coal Supply Agreement will take effect from the date of approval by the Independent Shareholders to 31 December, 2010 subject to option to extend by De Feng for further three year terms until the expiry of De Feng's initial business license term on 22 July 2028.

Annual caps:

The annual caps of the purchase of coal and the lease of a station platform by De Feng from YYE for the period from the date on which the New Open-Pit Coal Supply Agreement is expected to become effective until 31 December 2008 and each of the years ending 31 December 2009 and 31 December 2010 will not exceed RMB5,600,000 (approximately HK\$6,364,000), RMB120,000,000 (approximately HK\$136,368,000) and RMB132,000,000 (approximately HK\$150,004,800) respectively. The proposed cap for 2008 has been determined by reference to (i) the value of coal actually supplied by YYE from 1 September 2008 to 30 November 2008, which amounted to RMB12,735,832 (approximately HK\$14,473,000); and (ii) the estimated value of coal to be sold by YYE to De Feng from the commencement of the New Open-Pit Coal Supply Agreement to 31 December 2008. The annual cap for 2009 has been determined by reference to (i) the estimated value of coal to be sold by YYE to De Feng; and (ii) the prevailing market prices of coal. As to the annual cap for 2010, it represents a 10% increment over its previous year's annual cap taking into account possible price increases of approximately 10% in line with consumer prices.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

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 New Open-Pit Coal Supply Agreement was entered into for the supply of coal by YYE to De Feng from the Open-Pit Coal Mine in the PRC.

The Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from the independent financial adviser) consider the Prior Non-Compliant Non-Exempt Continuing Connected Transactions, the proposed terms of the Non-Exempt Continuing Connected Transactions and the relevant annual caps under the Non-Exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the overall best interest of the Company and its Shareholders.

LISTING RULES IMPLICATIONS

Given that YYE has a 49% equity interest in De Feng, which is an indirect non-wholly owned subsidiary of the Company, YYE is a connected person of the Company pursuant to Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the New Open-Pit Coal Supply Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules. As each of the relevant percentage ratios for the annual caps under the New Open-Pit Coal Supply Agreement is more than 2.5%, the transactions contemplated under the New Open-Pit Coal Supply Agreement constitute non-exempt continuing connected transactions under Rule 20.35 of the GEM Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements under Rules 20.45 to 20.48 of the GEM Listing Rules.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on whether the Prior Non-Compliant Non-Exempt Continuing Connected Transactions, the terms of the Non-Exempt Continuing Connected Transactions and the relevant annual caps are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the shareholders of the Company as a whole as required under Rule 20.22(4) of the GEM Listing Rules. YYE and its associates do not currently hold any Share in the Company. However, YYE and its associates (should they become Shareholders before the EGM) are required to abstain from voting in respect of the proposed resolutions in relation to the Prior Non-Compliant Non-Exempt Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions. In accordance with the GEM Listing Rules, the vote to be taken at the EGM with respect to the Continuing Connected Transactions shall be conducted by poll.

GENERAL

The Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company under the GEM Listing Rules and is subject to the approval of the Independent Shareholders. A circular containing information relating to the Continuing Connected Transactions, a letter setting out the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Continuing Connected Transactions together with a notice convening the EGM to ratify the Prior Non-Compliant Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the relevant annual caps under the Non-Exempt Continuing Connected Transactions will be dispatched to the Shareholders as soon as possible.

DEFINITIONS

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

“Board”	the board of Directors
“CCT Circular”	the circular issued by the Company dated 12 July 2007 in relation to, among others, the transaction under the Open-Pit Coal Supply Agreement
“Company”	DeTeam Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules

“Continuing Connected Transactions”	the Prior Non-Compliant Non-Exempt Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions
“DCT Circular”	the circular issued by the Company dated 13 May 2008 in relation to the acquisition of 51% equity interest in the registered capital of De Feng by KRL pursuant to the equity transfer agreement dated 24 April 2008 entered into between KRL and YYE
“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 owned as to 51% by KRL and as to 49% by YYE
“Directors”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to ratify the Prior Non-Compliant Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the relevant annual caps
“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 of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HTL”	Harvest Team (China) Company Limited (富添(中國)有限公司), a company incorporated in the Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company

“Independent Board Committee”	the independent committee of the Board comprising the Company’s independent non-executive Directors, Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Yu Yang, which will be established to advise the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	shareholders of the Company other than YYE and its respective associates
“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
“New Open-Pit Coal Supply Agreement”	the agreement entered into between De Feng and YYE on 3 December 2008 for the purchase by De Feng from YYE of coal required by De Feng on an ongoing basis and the lease by De Feng from YYE of a station platform for the transportation of coal on an ongoing basis
“Non-Exempt Continuing Connected Transactions”	the continuing connected transactions under the New Open-Pit Coal Supply 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 three million tons of coal per year, owned by YYE which 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 which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Prior Non-Compliant Non-Exempt Continuing Connected Transactions”	the supply of coal by YYE to De Feng for the period from 1 September 2008 up to the commencement of the Non-Exempt Continuing Connected Transactions
“RMB”	Renminbi, the lawful currency of the PRC
“Second JV Company”	通遼弘源煤炭運銷有限責任公司 (Tongliao Hongyuan Coal Transportation and Sales Company Limited*), a company established in the PRC and is owned as to 51% by KRL and 49% by YYE
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“%”	per cent.

For the purpose of illustration in this announcement, figures in Renminbi are translated into Hong Kong dollars at the approximate exchange rate of RMB1.0000 to HK\$1.1364.

By Order of the Board
Mak Shiu Chung, Godfrey
Chairman

Hong Kong, 3 December 2008

* *for identification purpose only*

At the date of this announcement, the board of directors of the Company 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 and on www.irasia.com/listco/hk/deteam/index.htm.