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## **DeTeam Company Limited**

**弘海有限公司\***

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

(Stock code: 8112)

**MAJOR TRANSACTION –  
FORMATION OF JOINT VENTURE COMPANIES  
AND  
CONTINUING CONNECTED TRANSACTIONS  
AND  
TERMINATION OF MEMORANDUM OF UNDERSTANDING  
AND  
SUSPENSION AND RESUMPTION OF TRADING**

On 1 June, 2007, the Company through its indirect wholly-owned subsidiary, HTL, entered into the First JV Agreement with YYE for the establishment of the First JV Company. The First JV Company will principally be engaged in the sale and purchase, and distribution of coal to be extracted from the Underground Coal Mine in the PRC.

The First JV Company will be owned as to 56.2% by HTL and 43.8% by YYE upon its establishment. The registered capital of the First JV Company will be RMB100,000,000 (approximately HK\$102,041,000) which will be contributed entirely in cash by HTL. YYE shall contribute to the First Joint Venture Company by entering into the Underground Coal Supply Agreement with the First JV Company (signed by HTL on behalf of the First JV Company) under which YYE shall supply the coal generated from the Underground Coal Mine to the First JV Company on an exclusive basis and lease a station platform to the First JV Company for the transportation of coal from the Underground Coal Mine on an ongoing basis.

On 1 June, 2007, the Company through its indirect wholly-owned subsidiary, KRL, entered into the Second JV Agreement with YYE for the establishment of the Second JV Company. The Second JV Company will principally be engaged in the sale and purchase, and distribution of coal to be extracted from the Open-Pit Coal Mine in the PRC.

The Second JV Company will be owned as to 51% by KRL and 49% by YYE upon its establishment. The registered capital of the Second JV Company will be RMB1,000,000 (approximately HK\$1,020,000) which will be contributed as to RMB510,000 (approximately HK\$520,000) by KRL and RMB490,000 (approximately HK\$500,000) by YYE, in proportion to their respective equity interest in the Second JV Company. KRL and YYE will each contribute its share of registered capital in cash. It is a condition to the Second JV Agreement that YYE shall enter into the Open-Pit Coal Supply Agreement with the Second JV Company (signed by KRL on behalf of the Second JV Company) under which YYE shall supply

\* for identification purpose only

certain agreed amount of coal to be extracted from the Open-Pit Coal Mine to the Second JV Company on a non-exclusive basis and lease a station platform to the Second JV Company for the transportation of coal from the Open-Pit Coal Mine during the contract term.

The JV Agreements collectively constitute a major transaction for the Company under the GEM Listing Rules and are subject to the approval of the Shareholders at the EGM. The formation of the First JV Company and the formation of the Second JV Company are independent and not inter-conditional to each other. There will be no change in the board members of the Company as a result of the formation of the JV Companies.

The Underground Coal Supply Agreement and the Open-Pit Coal Supply Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules. As the aggregate relevant percentage ratios for the annual caps of each of the CCT Agreements are more than 2.5%, the transactions contemplated under the CCT Agreements 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 terms of the CCT Agreements 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 with respect to the CCT Agreements. 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 JV Agreements and the CCT Agreements, 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 approve the transactions under the JV Agreements, the Continuing Connected Transactions and the relevant annual caps under each of the Continuing Connected Transactions will be dispatched to shareholders of the Company as soon as possible.

## **TERMINATION OF MEMORANDUM OF UNDERSTANDING**

Reference is made to the Announcement in relation to the MOU entered into between the Company and Dushan Company dated 16 November 2006 for the proposed investment to acquire a majority interest in Dushan Company, which operates an antimony mine in Dushan County, Guizhou Province, the PRC.

Since no binding agreement has been entered into between the Company and Dushan Company, ongoing discussion with respect to the proposed investment to acquire a majority interest in Dushan Company was finally terminated on 31 May, 2007. Although the Company acknowledges that termination of the MOU with Dushan Company is price sensitive in nature, termination was mutually agreed by both parties over a telephone conversation after trading hours on 31 May 2007 and right before suspension of trading of the Shares on 1 June 2007.

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange from 9:30 a.m. on 1 June 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 8 June, 2007.

## **FORMATION OF JOINT VENTURE COMPANIES**

The Company met with YYE for the first time and engaged in preliminary discussion with YYE at around the end of March 2007 where possible business opportunities were discussed but no concrete discussion or material business plan was concluded. Formal discussions for the formation of the JV Companies commenced after close of business on 25 May 2007, leading up to the signing of the JV Agreements on 1 June 2007. Accordingly, the Company is of the view that it was appropriate to confirm in its announcement issued under GEM Listing Rule 17.11 on 4, 7 and 8 May 2007 that there were no negotiations related to any intended transaction which was discloseable under Chapters 19 and 20 of the GEM Listing Rules. Pursuant to the JV Agreements, HTL and YYE have agreed to establish the First JV Company and KRL and YYE have agreed to establish the Second JV Company. Details of the JV Agreements are set out below.

### **THE FIRST JV AGREEMENT**

**Date:** 1 June 2007

#### **Parties:**

- (1) HTL, an investment holding company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company; and
- (2) 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.

#### **Principal terms:**

##### *Purpose of the First JV Company*

Pursuant to the terms and conditions of the First JV Agreement, the First JV Parties have agreed to set up the First JV Company in Inner Mongolia, PRC. The First JV Company will principally be engaged in the sale and purchase, and distribution of coal to be extracted from the Underground Coal Mine in the PRC.

##### *Total investment amount, registered capital and capital contribution*

The First JV Company will be owned as to 56.2% by HTL and 43.8% by YYE upon its establishment. Upon completion, the First JV Company will become a subsidiary of the Company and the results of the First JV Company will be consolidated into the Company's accounts upon its establishment. For the purpose of determining the contribution by HTL and YYE in the First JV Company, the resources fee of RMB77,925,000 (approximately HK\$79,515,000) paid by YYE to excavate the estimated coal reserve of approximately 62.34 million tons of coal at the Underground Coal Mine was taken into account. As a result, contribution by HTL and YYE is 43.8% (77.925/177.925) and 56.2% (100/177.925), respectively.

The total investment amount of the First JV Company will be RMB250,000,000 (approximately HK\$255,102,000) and its registered capital will be RMB100,000,000 (approximately HK\$102,041,000) which will be contributed entirely in cash by HTL. HTL's contribution to the registered capital of the First JV Company shall be funded through the Group's internal resources.

The First JV Parties have agreed that the difference between the total investment amount and the registered capital will be financed, where required, by the First JV Company's corporate borrowings, project finance or other financing arrangements. The Group is not committed to provide any guarantee for these financing arrangements nor does it have any capital commitment in connection with the establishment of the First JV Company in addition to the obligation to contribute to the registered capital. The Company will comply with the GEM Listing Rules if it provides any guarantee for such financing arrangements.

HTL will contribute to the entire registered capital of the First JV Company in cash. Pursuant to the First JV Agreement, HTL is required to contribute to the First JV Company (i) RMB30,000,000 (approximately HK\$30,612,000) within 20 days from the date of the issuance of the business licence of the First JV Company; (ii) RMB20,000,000 (approximately HK\$20,408,000) on the commencement of excavation work at the Underground Coal Mine; (iii) RMB20,000,000 (approximately HK\$20,408,000) upon 50% completion of excavation work at the Underground Coal Mine; and (iv) the remaining balance of RMB30,000,000 (approximately HK\$30,612,000) upon completion of excavation work at the Underground Coal Mine. Together with the consideration payable by KRL under the Second JV Agreement, the consideration payable by HTL under the First JV Agreement was determined by reference to the total reserve held by YYE at the Underground Coal Mine. The First JV Company will not hold any reserve upon its establishment.

#### *Term of the First JV Company*

The First JV Company shall have a term of 30 years from the date of the issuance of its business licence. Upon approval by all directors of the First JV Company, the First JV Company may apply to the relevant governmental body to extend the business licence.

#### *Board composition*

The board of directors of the First JV Company will comprise five (5) directors. YYE shall be entitled to appoint two (2) directors and HTL shall be entitled to appoint three (3) directors. The chairman of the First JV Company will hold office for 3 years and will be nominated by HTL and YYE on a rotational basis. The first chairman of the First JV Company will be nominated by HTL.

#### *Profit and loss sharing*

Each of the First JV Parties will be entitled to share the profits or will bear the losses of the First JV Company in proportion to their respective equity interest in the First JV Company.

#### *Transfer of interests in the First JV Company*

Each of the First JV Party may transfer its equity interest in the First JV Company to another person, subject to the right of pre-emption of the other First JV Party to purchase such equity interest on the same terms.

### *Conditions precedent*

The First JV Agreement is conditional upon the following being fulfilled:

- (a) all necessary approvals, processes, registration and/or authorizations for the implementation of the transactions contemplated under the First JV Agreement having been obtained by the First JV Parties, including in the case of HTL, having obtained the approval of the Shareholders;
- (b) the approval(s) from the Ministry of Commerce of the PRC or its delegated authority in relation to the transactions contemplated under the First JV Agreement having been obtained;
- (c) the approval of the Shareholders for the entering into of the Underground Coal Supply Agreement between the First JV Company and YYE; and
- (d) the receipt by HTL of a verification report certified by a director of YYE in respect of the coal reserve in the Underground Coal Mine.

The First JV Agreement provides that HTL may waive such conditions. The Directors currently expect that completion of the First JV Agreement will take place within 6 months from the date of the First JV Agreement.

If any of the conditions is not fulfilled or waived in accordance with the terms of the First JV Agreement and completion of the First JV Agreement does not take place, the First JV Agreement will not be effective and the Company will not have any liability or obligation thereunder except the payment of expenses relating to the formation of the First JV Company.

## **THE SECOND JV AGREEMENT**

**Date:** 1 June, 2007

### **Parties:**

- (1) KRL, an investment holding company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company; and
- (2) 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.

### **Principal terms:**

#### *Purpose of the Second JV Company*

Pursuant to the terms and conditions of the Second JV Agreement, the Second JV Parties have agreed to set up the Second JV Company in Inner Mongolia, PRC. The Second JV Company will principally be engaged in the sale and purchase, and distribution of coal to be extracted from the Open-Pit Coal Mine in the PRC.

### *Total investment amount, registered capital and capital contribution*

The Second JV Company will be owned as to 51% by KRL and 49% by YYE upon its establishment. Upon completion, the Second JV Company will become a subsidiary of the Company and the results of the Second JV Company will be consolidated into the Company's accounts upon its establishment.

The total investment amount of the Second JV Company will be RMB1,400,000 (approximately HK\$1,429,000) and its registered capital will be RMB1,000,000 (approximately HK\$1,020,000) which will be contributed as to RMB490,000 (approximately HK\$500,000) by YYE and RMB510,000 (approximately HK\$520,000) by KRL, in proportion to their respective equity interest in the Second JV Company. KRL's contribution to the registered capital of the Second JV Company shall be funded through the Group's internal resources.

The Second JV Parties have agreed that the difference between the total investment amount and the registered capital will be financed, where required, by the Second JV Company's corporate borrowings, project finance or other financing arrangements. The Group is not committed to provide any guarantee for these financing arrangements nor does it have any capital commitment in connection with the establishment of the Second JV Company in addition to the obligation to contribute its share of the registered capital. The Company will comply with the GEM Listing Rules if it provides any guarantee for such financing arrangements.

Each of the Second JV Parties will contribute its share of the registered capital in cash. Pursuant to the Second JV Agreement, each of the Second JV Parties is required to contribute 15% of its share of the registered capital to the Second JV Company within three months from the date of the issuance of the business licence of the Second JV Company and to contribute the remaining in full within the two years from that date. Together with the consideration payable by HTL under the First JV Agreement, the consideration payable by KRL under the Second JV Agreement was determined by reference to the total reserve held by YYE at the Underground Coal Mine. The Second JV Company will not hold any reserve upon its establishment.

### *Term of the Second JV Company*

The Second JV Company shall have a term of 30 years from the date of the issuance of its business licence. Upon approval by all directors of the Second JV Company, the Second JV Company may apply to the relevant governmental body to extend the business licence.

### *Board composition*

The board of directors of the Second JV Company will comprise three (3) directors. YYE shall be entitled to appoint one (1) director and KRL shall be entitled to appoint two (2) directors. The chairman of the Second JV Company will hold office for 3 years and will be nominated by KRL and YYE on a rotational basis. The first chairman of the Second JV Company will be nominated by KRL.

### *Profit and loss sharing*

Each of the Second JV Parties will be entitled to share the profits or will bear the losses of the Second JV Company in proportion to their respective equity interest in the Second JV Company.

### *Transfer of interests in the Second JV Company*

Each of the Second JV Party may transfer its equity interest in the Second JV Company to another person, subject to the right of pre-emption of the other Second JV Party to purchase such equity interest on the same terms.

### *Conditions precedent*

The Second JV Agreement will not come into effect until the following conditions have been fulfilled:

- (a) all necessary approvals, processes, registration and/or authorizations for the implementation of the transactions contemplated under the Second JV Agreement having been obtained by the Second JV Parties, including in the case of KRL, having obtained the approval of the Shareholders;
- (b) the approval(s) from the Ministry of Commerce of the PRC or its delegated authority in relation to the transactions contemplated under the Second JV Agreement having been obtained;
- (c) the approval of the Shareholders for the entering into of the Open-Pit Coal Supply Agreement between the Second JV Company and YYE; and
- (d) the receipt by KRL of a verification report certified by a director of YYE in respect of the reserve of coal in the Open-Pit Coal Mine.

The Second JV Agreement provides that KRL may waive such conditions. The Directors currently expect that completion of the Second JV Agreement will take place within 6 months from the date of the Second JV Agreement.

If any of the conditions is not fulfilled or waived in accordance with the Second JV Agreement and completion of the Second JV Agreement does not take place, the Second JV Agreement will not be effective and the Company will not have any liability or obligation thereunder except the payment of expenses relating to the formation of the Second JV Company.

### **CONTINUING CONNECTED TRANSACTIONS**

Pursuant to the joint venture arrangements, YYE who has a mining license over the Underground Coal Mine and the Open-Pit Coal Mine will supply coal and lease a station platform to the First JV Company and the Second JV Company, respectively. Accordingly, on 1 June, 2007, YYE entered into the Underground Coal Supply Agreement and the Open-Pit Coal Supply Agreement with the First JV Company and the Second JV Company respectively for the supply of coal and the lease of station platforms. Particulars relating to the transactions under the Underground Coal Supply Agreement and the Open-Pit Coal Supply Agreement are described below.

# UNDERGROUND COAL SUPPLY AGREEMENT

**Date:** 1 June, 2007

**Parties:**

- (1) YYE (as the supplier); and
- (2) First JV Company (as the purchaser).

**Subject matter:**

- (i) Purchase of coal which may be required by the First JV Company and which YYE may be able to supply in circumstances which are of commercial benefit to the Group; and
- (ii) Lease of a station platform located at Inner Mongolia Mine 958 on the Tong Huo railway by YYE to the First JV Company.

**Price:**

The price for the supply of coal shall be free of charge taking into account the consideration payable by HTL under the First JV Agreement (which will be used to finance the excavation work at the Underground Coal Mine). The price for the lease of a station platform shall be RMB8 (approximately HK\$8.16) per ton or at such lower market rate to be agreed by the First JV Parties.

**Payment terms:**

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

**Term:**

With effect from the date of approval by Independent Shareholders to 31 December, 2009. The First JV Company has a right to extend the term by further 3 year terms until the expiry of the First JV Company's initial business license term of 30 years.

**Annual caps:**

The annual caps of the purchase of coal and the lease of a station platform by the First JV Company from YYE for the period ending 31 December, 2007, 31 December, 2008 and 31 December, 2009 will not exceed the prorated portion of RMB50,000,000 (approximately HK\$51,020,000) representing the remaining part of the year ending 31 December, 2007 from the date on which the Underground Coal Supply Agreement becomes effective, RMB107,000,000 (approximately HK\$109,184,000) and RMB214,000,000 (approximately HK\$218,367,000) respectively.

The proposed annual cap for 2007 has been determined by reference to (i) the estimated value of the coal that will be extracted from the Underground Coal Mine (as it is not in full operation and assuming it extracts only 25% of the annual permitted amount of 1.2 million tons of coal (the "25% Level")); and (ii) the estimated amount payable for the lease of the station platform at the agreed rate based on the amount of coal to be supplied during the year.



The proposed annual cap for 2008 has been determined by reference to (i) the estimated value of the coal that will be extracted from the Underground Coal Mine (assuming that up to 30 June 2008, it achieves the 25% Level for the amount of coal extracted) and from 1 July 2008 to the end of the year, it achieves full operation and extracts the annual permitted amount of 1.2 million tons of coal); and (ii) the estimated amount payable for the lease of the station platform at the agreed rate based on the amount of coal to be supplied during the year.

The proposed annual cap for 2009 has been determined by reference to (i) the estimated value of the coal that will be extracted from the Underground Coal Mine (assuming it is in full operation and achieves its annual permitted amount of 1.2 million tons of coal); and (ii) the estimated amount payable for the lease of the station platform at the agreed rate based on the amount of coal to be supplied during the year.

## **OPEN-PIT COAL SUPPLY AGREEMENT**

**Date:** 1 June, 2007

### **Parties:**

- (1) YYE (as the supplier); and
- (2) Second JV Company (as the purchaser).

### **Subject matter:**

- (i) Purchase of coal which may be required by the Second JV Company 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 the Second JV Company 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 the Second JV Company.

### **Price:**

Before the operation of the Underground Coal Mine, the price for the supply of coal shall not exceed RMB85 (approximately HK\$86.7) per ton or be at 23% lower than the market rate. After the operation of the Underground Coal Mine, the price for the supply of coal shall not exceed RMB85 (approximately HK\$86.7) per ton. Should there be major fluctuation in the price of coal, the Second JV Parties have agreed to adjust the price based on the prevailing market rate but the upward or downward adjustment shall not in any event exceed RMB10 (approximately HK\$10.3).

If the supply of coal under this agreement exceeds 800,000 tons, the price for the lease of a station platform will be RMB8 (approximately HK\$8.16) per ton or at such lower market rate to be agreed between the Second JV Parties. If the supply of coal is below 800,000 tons, YYE will not charge the Second JV Company 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:**

With effect from the date of approval by Independent Shareholders to 31 December, 2009 subject options to renew by the Second JV Company until the expiry of the Second JV Company's initial business license term of 30 years.

**Annual caps:**

The annual caps of the purchase of coal and the lease of a station platform by the Second JV Company from YYE for the period ending 31 December, 2007, 31 December, 2008 and 31 December, 2009 will not exceed the prorated portion of RMB70,000,000 (approximately HK\$71,429,000) representing the remaining part of the year ending 31 December, 2007 from the date on which the Open-Pit Coal Supply Agreement becomes effective, RMB168,000,000 (approximately HK\$171,429,000) and RMB185,000,000 (approximately HK\$188,776,000) respectively. The proposed caps for 2007 and 2008 have been determined by reference to (i) the estimated value of coal to be sold by YYE to the Second JV Company; and (ii) the estimated value of the station platform to be leased by YYE to the Second JV Company. As to the annual cap for 2009, it represents a 10% increment over the 2008 annual cap taking into account possible price increases of approximately 10% in line with consumer prices.

As the market rate of coal is quite high, the amount of annual caps for the Underground Coal Supply Agreement and the Open-Pit Coal Supply Agreement has turned out to be quite significant. However, the Company is of the view that it is normal in the coal trading business to have huge revenue and relatively small profit and that the significant amount of the annual caps is commercially justifiable.

**TERMINATION OF MEMORANDUM OF UNDERSTANDING**

Reference is made to the Announcement in relation to the MOU entered into between the Company and Dushan Company dated 16 November 2006 for the proposed investment to acquire a majority interest in Dushan Company, which operates an antimony mine in Dushan County, Guizhou Province, the PRC.

Since no binding agreement has been entered into between the Company and Dushan Company, ongoing discussion with respect to the proposed investment to acquire a majority interest in Dushan Company was finally terminated on 31 May, 2007. Although the Company acknowledges that termination of the MOU with Dushan Company is price sensitive in nature, the termination was mutually agreed by both parties over a telephone conversation after trading hours on 31 May 2007 and right before suspension of trading of the Shares on 1 June 2007.

**REASONS FOR THE JV AGREEMENTS**

The Group is principally engaged in the production and sale of plastic woven bags and the provision of transportation technology solution in the PRC.

While the Group intends to continue to focus on its current business, the Group also wishes to diversify its business in areas with relatively high growth potential. As the demand and prices of coal continue to rise in the PRC, the Board is of the view that the Group's participation as a major equity owner in the JV Companies will allow the Group to invest in, and benefit from, the relatively high growth and high yield coal industry in the PRC. Save for the cashflow effect arising from the utilization of internal funds to finance the capital contribution to the JV

Companies, the Directors do not expect the formation of the JV Companies itself would have any material adverse financial impact on the assets and liabilities of the Group.

The terms of the JV Agreements have been agreed after arm's length negotiations between the respective JV Parties. The Directors (including the independent non-executive Directors) consider that the JV Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

As part of the joint venture arrangements and in order to fulfill the conditions under the JV Agreements, the Underground Coal Supply Agreement and the Open-Pit Coal Supply Agreement were entered into for the supply of coal by YYE to the First JV Company and the Second JV Company respectively.

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 proposed terms of the Continuing Connected Transactions under the CCT Agreements are on normal commercial terms, fair and reasonable and in the overall best interest of the Company and its Shareholders. 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 with respect to the CCT Agreements. 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.

### **REASONS FOR THE TERMINATION OF THE MEMORANDUM OF UNDERSTANDING**

With the Group's business plan to continue to focus on its current business and diversify its business to invest in the coal industry in the PRC, the Group has decided to terminate discussion of the MOU with Dushan Company and not to pursue the opportunity under the MOU.

### **LISTING RULES IMPLICATIONS**

As YYE will acquire a 43.8% equity interest in the First JV Company and a 49% equity interest in the Second JV Company, which will be indirect non-wholly owned subsidiaries of the Company upon completion of the JV Agreements, YYE will become a connected person of the Company pursuant to Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the CCT Agreements constitute continuing connected transactions of the Company under the GEM Listing Rules. As the aggregate relevant percentage ratios for the annual caps under the CCT Agreements are more than 2.5%, the transactions contemplated under the CCT Agreements constitute non-exempt continuing connected transactions of the Company 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 terms of the CCT Agreements 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.

## GENERAL

The JV Agreements collectively constitute a major transaction for the Company under the GEM Listing Rules and are subject to the approval of the Shareholders at the EGM. The CCT Agreements constitute non-exempt continuing connected transactions for the Company under the GEM Listing Rules and are subject to the approval of the Independent Shareholders. A circular containing information relating to the transactions under the JV Agreements and 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 approve the transactions under the JV Agreements, the Continuing Connected Transactions and the relevant annual caps under each of the Continuing Connected Transactions will be dispatched to shareholders of the Company as soon as possible.

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange from 9:30 a.m. on 1 June, 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 8 June, 2007.

## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 16 November 2006
“Board”	the board of Directors
“CCT Agreements”	the Underground Coal Supply Agreement and 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 continuing connected transactions under the CCT Agreements
“Directors”	director(s) of the Company
“Dushan Company”	獨山縣孟孔冶煉有限責任公司 (Dushan Mengkong Refinery Limited Liability Company*), a company incorporated in the PRC and an independent third party not connected with the Company

“EGM”	an extraordinary general meeting of the Company to be held to approve the transactions under the JV Agreements and the Continuing Connected Transactions
“First JV Agreement”	the joint venture agreement dated 1 June, 2007 entered into between HTL and the YYE for the establishment of the First JV Company
“First JV Company”	the equity joint venture company to be established in the PRC pursuant to the First JV Agreement, with the proposed name of 內蒙古霍林郭勒市金弘源有限公司 (Inner Mongolia Haolinguole Jinhongyuan Company Limited)
“First JV Parties”	HTL and YYE
“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) 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 and a party to the First JV Agreement
“Independent Board Committee”	the independent committee of the Board comprising the Company’s independent non-executive Directors, Mr. Yang Xiaoping, Mr. Kwok Chi Shing and Mr. Tsang Wai Sum, 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
“JV Agreements”	the First JV Agreement and the Second JV Agreement
“JV Companies”	the First JV Company and the Second JV Company
“JV Parties”	the First JV Parties and the Second JV Parties

“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
“MOU”	the non-binding memorandum of understanding entered into between the Company and Dushan Company dated 16 November 2006
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Second JV Agreement:	the joint venture agreement dated 1 June, 2007 entered into between KRL and YYE for the establishment of the Second JV Company
“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)
“Second JV Parties”	KRL and 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

“Underground Coal Mine”	the underground coal mine located below “Area 958” in Inner Mongolia, which has an estimated reserve of approximately 62.34 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
“Underground Coal Supply Agreement”	the agreement entered into between the First JV Company and YYE on 1 June, 2007 for the purchase by the First JV Company from YYE of coal required by the First JV Company on an ongoing basis and the lease by the First JV Company from YYE of a station platform for the transportation of coal on an ongoing basis
“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 party to the JV Agreements. YYE is owned entirely by third parties independent and not connected with the Company
“%”	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\$1.0204.*

By Order of the Board  
**Mak Shiu Chung, Godfrey**  
*Executive Director*

Hong Kong, 7 June, 2007

At the date of this announcement, the board of directors of the Company comprises:

*Executive Directors*

Mr. Yan Daniel X.D.

Mr. Mak Shiu Chung, Godfrey

Mr. Zhang Chao Liang

Mr. Wang Hon Chen

*Independent Non-Executive directors*

Mr. Yang Xiaoping

Mr. Kwok Chi Shing

Mr. Tsang Wai Sum

*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](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*