

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

DeTeam Company Limited

弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 65)

MAJOR TRANSACTION: PROJECT MANAGEMENT CONTRACT IN RESPECT OF CONSTRUCTION OF PRODUCTION FACILITIES FOR UPGRADING LOW-RANK COAL

Reference is made to the announcements of the Company dated (i) 18 July 2012, in relation to, Beijing Guochuan, an indirect wholly-owned subsidiary of the Company entering into the investment agreement with Xilinhaote City Government, pursuant to which Beijing Guochuan and the People's Government of Xilinhaote Municipality agreed to co-operate in the construction and operation of production facilities for the upgrading of low-rank coal; (ii) 20 December 2012, in relation to, Beijing Guochuan entering into the memorandum of understanding with Dalian Shipbuilding, pursuant to which Beijing Guochuan agreed to appoint Dalian Shipbuilding to manage the establishment of the Production Facilities; and (iii) 7 February 2013, in relation to, the update on the progress on the establishment of the Production Facilities.

On 9 November 2013, Beijing Guochuan and Xilinhaote Guochuan, both indirect wholly-owned subsidiaries of the Company entered into the Project Management Contract for the construction of the Production Facilities in Xilinhaote City, the PRC with Dalian Shipbuilding.

The tentative total project costs payable by the Principals is RMB458.85 million (equivalent to approximately HK\$587.33 million). The actual project costs payable by the Principals is subject to adjustments including the adjustments for the increase in raw material and component costs and the amounts of the Compensation Fees, the Inducement Fees and the Management Fees. The actual project costs shall not exceed RMB560 million (equivalent to approximately HK\$716.80 million).

IMPLICATIONS UNDER THE LISTING RULES

As two of the applicable percentage ratios in respect of the Project Management Contract and the transactions contemplated thereunder exceed 25% but are less than 100% under rules 14.08 of the Listing Rules, the entering into of the Project Management Contract constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements as set out in Chapter 14 of the Listing Rules.

It is expected that a circular setting out, among others, further details of the Project Management Contract will be dispatched to Shareholders on or before 29 November 2013, together with the notice of the EGM.

INTRODUCTION

Reference is made to the announcements of the Company dated (i) 18 July 2012, in relation to, Beijing Guochuan, an indirect wholly-owned subsidiary of the Company entering into the investment agreement with Xilinhaote City Government, pursuant to which Beijing Guochuan and the People's Government of Xilinhaote Municipality agreed to co-operate in the construction and operation of production facilities for the upgrading of low-rank coal; (ii) 20 December 2012, in relation to, Beijing Guochuan entering into the memorandum of understanding with Dalian Shipbuilding, pursuant to which Beijing Guochuan agreed to appoint Dalian Shipbuilding to manage the establishment of the Production Facilities; and (iii) 7 February 2013, in relation to, the update on the progress on the establishment of the Production Facilities.

On 9 November 2013, Beijing Guochuan and Xilinhaote Guochuan, both indirect wholly-owned subsidiaries of the Company entered into the Project Management Contract for the construction of the Production Facilities in Xilinhaote City, the PRC with Dalian Shipbuilding.

THE PROJECT MANAGEMENT CONTRACT

The principal terms of the Project Management Contract are set out below:

Date:	9 November 2013
Parties:	(i) Beijing Guochuan, an indirect wholly-owned subsidiary of the Company, as the principal and the owner; (ii) Xilinhaote City Guochuan, an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Beijing Guochuan, as the principal and the owner; and (iii) Dalian Shipbuilding, as the contractor
Scope of services:	The management of the construction of the Production Facilities located at Xilinhaote City, Inner Mongolia, the PRC including tendering, procurement and supervision services in relation to the construction of the Production Facilities.
Term of services:	The term of services of Dalian Shipbuilding shall be from the effective date of the Project Management Contract until the passing of 72-hour loading test of the Production Facilities after completion of the construction of the Production Facilities.

Scale of the Production
Facilities:

The Production Facilities shall be capable of processing 3 million tons of low-rank coal and producing 2 million tons of clean brown coal annually.

Project costs:

The tentative total project costs payable by the Principals are RMB458.85 million (equivalent to approximately HK\$587.33 million). The actual total project costs payable by the Principals are subject to adjustments including the adjustments for the increase in raw material and component costs and the amounts of the Compensation Fees (as defined below), the Inducement Fees (as defined below) and the Management Fees (as defined below). The actual total project costs shall not exceed RMB560 million (equivalent to approximately HK\$716.80 million).

The total project costs comprise the basic costs, the Management Fees, the Compensation Fees and the Inducement Fees which were arrived at after arm's length negotiations between the parties with reference to the expected scope and complexity of the construction works to be carried out, the material costs and labour costs estimate to be consumed, and the prevailing market prices for carrying out construction works of comparable scale and complexity.

The basic costs include all the costs of raw materials, components, equipment and construction in relation to the Project. The basic costs are tentatively RMB437 million (equivalent to approximately HK\$559.36 million) and the actual basis costs will depend on the actual costs of raw materials and components.

The basic costs shall be payable by the Principals to Dalian Shipbuilding in cash in the following manner:

- (i) RMB45,885,000 (equivalent to approximately HK\$58.73 million), being 10% of the tentative project cost (the "**Initial Payment**"), shall be payable by the Principals to Dalian Shipbuilding within 15 days after the Project Management Contract having become effective as prepayment; and
- (ii) for the balance of the basic costs, within 15 days before the day on which Dalian Shipbuilding has to pay any sum according to the actual capital expenditure plan, the Principals shall pay such sum in advance to Dalian Shipbuilding.

In respect of the equipment built by Dalian Shipbuilding and its associated companies, the Principals shall pay the costs in cash in the following manner:

- (i) 20% of the costs shall be payable within 15 days after the signing of the relevant equipment procurement contract as prepayment;
- (ii) 20% of the costs shall be payable within one month upon delivery;
- (iii) 50% of the costs shall be payable within one month after passing of quality inspection of the equipment; and
- (iv) the remaining 10% of the costs shall be payable within 1 month after the expiry of the warranty period for the equipment.

The Initial Payment will be financed by the internal resources of the Group and the remaining balance of the basic costs will be financed by the Advances (as defined below). Upon completion of the Project, the Group intends to enter into a finance lease arrangement for the Production Facilities to raise funds to repay the Advances and all other fees including the Compensation Fees, the Inducement Fees and the Management Fees to Dalian Shipbuilding.

Management fees:

The Principals shall pay Dalian Shipbuilding management fees (the “**Management Fees**”) in cash at the rate of 5% of the basic costs at the time of the payment of the basic costs. There will be an additional charge at the rate of 0.03% of the outstanding management fees per day for late payment of the management fees.

Advances from Dalian Shipbuilding:

In the event that the Principals do not make the payment of the project basic costs in accordance with the terms of the Project Management Contract, Dalian Shipbuilding will make advances (the “**Advances**”) to settle the project basic costs.

Dalian Shipbuilding shall be entitled to charge the Principals compensation fees (the “**Compensation Fees**”) and inducement fees (the “**Inducement Fees**”) for the Advances which shall be calculated as follows:

Compensation Fees = Amount of the Advances x 6.5%/360 x No. of days of the Advances

Inducement Fees = Amount of the Advances x 3.4%/360 x No. of days of the Advances

The Compensation Fees and the Inducement Fees shall be payable by Dalian Shipbuilding at the time of repayment of the Advances.

Latest time for payment:

Each tranche of the Advances, the Compensation Fees, the Inducement Fees and the Management Fees shall be fully repaid by the Principals within 12 months after the incurring of each sum. The extended repayment date for each tranche of the Advances, the Compensation Fees, the Inducement Fees and the Management Fees shall be no later than 2 years after completion of the Project and 31 December 2016 (whichever is the earlier).

The Principals shall pay Dalian Shipbuilding at least 55% of the actual total project costs within 1 year after completion of the Project and all the actual total project costs including the basic costs, the Advances, the Compensation Fees, the Inducement Fees and the Management Fees within 2 years after completion of the Project.

Charge/Pledge:

As security for the debts of the Principals under the Project Management Contract, the Project (including the land use right and the fixtures above the land, the project materials, machines and equipment) and 100% of the equity interest in Xilinhaote Guochuan shall be charged/pledged by the Principals in favour of Dalian Shipbuilding (the “**Charge/Pledge**”).

If the Principals fail to complete the registration of the Charge/Pledge before 30 June 2014, Dalian Shipbuilding shall have the right to terminate the Project Management Contract.

Scheduled completion
date for the Project:

The project is scheduled to be completed before 25
October 2014.

If completion of the Project is delayed for more than one month due to the material fault of Dalian Shipbuilding, the Principals shall have the right to request Dalian Shipbuilding to compensate the direct economic loss suffered by the Principals caused by the delay.

If completion of the Project is delayed for more than one month due to the reason of the design institute for the Project or the Principals, etc. which is not related to Dalian Shipbuilding or the blueprints of the Project not being provided to Dalian Shipbuilding in accordance with the schedule, the Principals shall compensate the direct economic loss suffered by Dalian Shipbuilding caused by the delay.

The completion date of the Project may be extended after consultation between the parties to the Project Management Contract if the registration of the Charge/Pledge is not completed before 31 December 2013 or for the winter construction factor. Such extension shall not be regarded as a delay in completion of the Project.

Conditions precedent:

The Project Management Contract shall be effective upon the fulfillment of the following conditions:

- (i) the Board having approved the Project Management Contract and the transactions contemplated thereunder;
- (ii) the Company having duly complied with the relevant requirements including but not limited to the passing of the necessary resolution(s) by the Shareholders to approve the Project Management Contract and the transactions contemplated thereunder at the extraordinary general meeting of the Company in accordance with the relevant laws and regulations including the Listing Rules; and
- (iii) the Principals having executed the contracts for the Charge/Pledge.

INFORMATION ABOUT THE PARTIES AND REASONS FOR ENTERING INTO THE MAIN CONTRACTOR CONTRACT

The Group is principally engaged in the production and sale of plastic woven bags and the trading of coal in the PRC. In the middle of 2012, the Group entered the coal upgrading business via an indirect wholly-owned subsidiary, Beijing Guochuan. Beijing Guochuan is principally engaged in the technology development, the provision of technology consulting and the promotion of coal upgrading services in the PRC.

Pursuant to the licensing agreement dated 18 May 2012, Beijing Guochuan and its affiliates have the right to use and sub-license the patented coal upgrading technology (the “Technology”) for a three-year period up to 17 May 2015. As of 8 November 2013, 5 domestic patents have been obtained and applications for 2 additional domestic patents and 1 additional international patent have been made for the Technology. Currently, Changchun Guochuan Energy, a subsidiary of Beijing Guochuan, adopts the Technology in the coal upgrading plant in Changchun, the PRC. According to various testing results of different low-rank coal delivered from different coal mines in Inner Mongolia, the PRC, the Technology is able to boost the net calorific value on an ARB of raw coal by 60% on average (an average of 3,000 Kcal/kg to 5,000 Kcal/kg). Considering the stability and efficiency of the Technology, The Ministry of Science and Technology of the PRC selected the low-rank coal upgrading project undertaken by Changchun Guochuan Energy as one of the environmental projects of 2012’s 863 Program on 31 December 2011.

After numerous verification of the Technology, the Board decides to promote the coal upgrading business in low-rank coal rich regions in the PRC, especially Eastern Inner Mongolia. Xilinhaote Guochuan, an indirect wholly subsidiary of the Company and a direct wholly-owned subsidiary of Beijing Guochuan, is the pioneer project of the Company in the region and is principally engaged in the operation of coal upgrading business in Xilinhaote.

Dalian Shipbuilding is a subsidiary of China Shipbuilding Industry Corporation and a state-owned corporation. Dalian Shipbuilding is principally engaged in governmental project undertaking, shipbuilding, offshore equipment building, ship repair/ship scraping and heavy industrial project undertaking. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Dalian Shipbuilding is a third party independent of the Company and its connected persons.

The Board considers that the cooperation with Dalian Shipbuilding under the Project Management Contract will facilitate the establishment of the Production Facilities which will further promote the Company’s coal upgrading business.

China is the largest coal producer and consumer in the world. Although the proportion of coal in primary energy consumption is declining gradually amid the recent change in energy structure in China, coal remains China’s dominant energy source, making up more than 2/3 of energy consumption, and its demand retains single digit growth in the coming years. According to professional estimates, coal will still account for more than 50% of primary energy consumption by the end of 2050.

The mainstream solution to air pollution is the development of alternative energies such as solar and wind power. However, considering the production cost and the maturity of technologies, alternative energies are unable to launch in large scale in the foreseeable future. On the other hand, with the concerns of current energy consumption mix and national energy safety, Clean Coal Technology (“CCT”) is a practical way to curb pollution issues in China and coal upgrading technology is one of the key aspects in CCT.

Leveraging on our successful experience in Changchun and the support of Dalian Shipping, The Board considers that the Project can speed up the development of the coal upgrading business in Eastern Inner Mongolia and boost the profitability of the whole group in the foreseeable future.

In view of the above, the Board considers that the terms of the Project Management Contract and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As two of the applicable percentage ratios in respect of the Project Management Contract and the transactions contemplated thereunder exceed 25% but are less than 100% under rules 14.08 of the Listing Rules, the entering into of the Project Management Contract constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders’ approval requirements as set out in Chapter 14 of the Listing Rules.

It is expected that a circular setting out, among others, further details of the Project Management Contract will be dispatched to Shareholders on or before 29 November 2013, together with the notice of the EGM.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having the following meanings:

“863 Program”	the State High-Technology Development Plan in the PRC (國家高技術研究發展計劃), whose objective is to promote the development of advanced technologies in the PRC
“ARB”	as received basis
“Beijing Guochuan”	北京國傳新能源開發有限公司 (Beijing Guochuan New Energy Development Co., Ltd.#), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

“Board”	the board of Directors from time to time
“Changchun Guochuan Energy”	長春國傳能源科技開發有限公司 (Changchun Guochuan Energy Technology Development Co., Ltd.#), a limited liability company established in the PRC
“Company”	DeTeam Company Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	the director(s), including the independent non-executive directors of the Company, from time to time
“Dalian Shipbuilding”	大連船舶重工集團裝備製造有限公司 (Dalian Shipbuilding Industry Equipment Manufacturing Company Limited#)
“EGM”	the extraordinary general meeting of the Company to be convened and held for the approving, amongst other things, the Project Management Contract and transactions contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange
“Principals”	together, Beijing Guochuan and Xilinhaote Guochuan
“Project Management Contract”	the project management contract dated 9 November 2013 and entered into among Beijing Guochuan, Xilinhaote Guochuan and Dalian Shipbuilding for the construction of the Production Facilities in Xilinhaote City, the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Production Facilities”	the facilities of upgrading low-rank coal
“Project”	the construction project of the Production Facilities
“Shareholders”	the holders of the issued Shares from time to time
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Xilinhaote Guochuan”	錫林浩特市國傳能源科技開發有限公司 (Xilinhaote City Guochuan Energy Technology Development Co., Ltd.#), a limited liability company established in the PRC and a direct wholly-owned subsidiary of Beijing Guochuan

In this announcement, amounts quoted in RMB above have been converted into HK\$ at the rate of RMB1 to HK\$1.28. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

the English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

By Order of the Board
DeTeam Company Limited
Xu Bin
Co-Chairman

Hong Kong, 11 November 2013

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Mak Shiu Chung, Godfrey, Mr Xu Bin, Mr. Zhang Fusheng and Mr. Wang Hon Chen and three independent non-executive Directors Mr. Kwok Chi Shing, Mr. Tsang Wai Sum, Mr. Huang Shao Ru.

** For identification purposes only*