
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **DeTeam Company Limited** 弘海有限公司 you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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

A letter from the Board is set out on pages 4 to 7 of this circular.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting.

** For identification only*

13 May 2008

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given to emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Announcement”	the announcement dated 24 April 2008 issued by the Company
“Acquisition”	the acquisition of the Equity Interest by KRL pursuant to the terms of the Equity Transfer Agreement
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors of the Company
“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(s)”	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
“Director(s)”	director(s) 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

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	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
“Latest Practicable Date”	9 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular
“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 which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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*)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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)

DEFINITIONS

“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 illustration in this circular, figures in Renminbi are translated into Hong Kong dollars at an exchange rate of RMB1.0 to HK\$1.1.

LETTER FROM THE BOARD

DeTeam Company Limited

弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

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

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business in Hong Kong:

Suite No. 3, 31st Floor

Sino Plaza

255-257 Gloucester Road

Hong Kong

13 May 2008

To the Shareholders

Dear Sirs,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the Announcement in which the Board announced 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.

The Acquisition constitutes a connected and discloseable transaction for the Company under the GEM Listing Rules. The purpose of this circular is to provide you with further information regarding the Acquisition and other information prescribed by the GEM Listing Rules.

* For identification only

LETTER FROM THE BOARD

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. As at the Latest Practicable Date, the above conditions have not been fulfilled.

LETTER FROM THE BOARD

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

EFFECT OF THE TRANSACTION

Upon Completion, the Group's current assets will decrease as a result of payment of the consideration for the Acquisition funded from internal resources. The Acquisition after Completion will increase the revenue of the Group once the De Feng commences its coal trading business, which will result in a positive impact on the earnings of the Group. The Directors confirm that in view of the existing financial and operation conditions of the Company and taking into account payment of the consideration for the Acquisition, the Group will have sufficient working capital for the operation of its business after making such payment.

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.

LETTER FROM THE BOARD

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 disclosure 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 also constitutes a discloseable transaction for the Company under Rule 19.06(2) of the GEM Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
DETEAM COMPANY LIMITED
Mak Shiu Chung, Godfrey
Chairman

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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 enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

B. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares and in respect of equity derivatives, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(1) Interests in Shares and equity derivatives

Name of Directors	Number of Shares			Number of underlying Shares held Under equity derivatives	Total Interests	Approximate percentage of the Company's issued share capital
	Personal interests (Note 2)	Family interests	Corporate interests			
Mr. Mak Shiu Chung, Godfrey	-	-	58,132,000 ^(L) (Note 1)	-	58,132,000	13.72%

Notes:

1. These Shares are beneficially owned by Lucky Team International Limited ("Lucky Team"), a company incorporated in the British Virgin Islands with limited liability. By virtue of his 100% shareholding in Lucky Team, Mr. Mak Shiu Chung, Godfrey is deemed or taken to be interested in the 58,132,000 shares of the Company owned by Lucky Team.
2. The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, or in respect of equity derivatives, underlying Shares in or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

C. SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

Other than interests disclosed in the paragraphs headed "Interests in Shares and equity derivatives" and "Interests in share options" above, as at the Latest Practicable Date, so far as known to any Director or chief executive of the Company, the following persons/entities (other than Directors or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

(1) Substantial Shareholders:

Name of shareholders	Capacity and nature of interest	Number of shares held <i>(Note 3)</i>	Approximate percentage of shareholding
Lucky Team	Beneficial Owner	58,132,000 ^(L) <i>(Note 1)</i>	13.72%
Li Gui Yan	Beneficial Owner	35,100,000 ^(L) <i>(Note 2)</i>	8.29%
Xu Bin	Beneficial Owner	48,960,000 ^(L) <i>(Note 2)</i>	11.56%

Notes:

1. Lucky Team is a company incorporated in the British Virgin Island with limited liability, which is 100% owned by Mr. Mak Shiu Chung, Godfrey, the Chairman and executive Director of the Company.
2. To the best knowledge of the Directors, the party is independent of and not connected with the Directors, Chief Executive, substantial shareholders or management shareholders of the Company or any associate of any of them.
3. The letter "L" denotes a long position in the shares.

(2) Long positions of persons who are required to disclose their interests:

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons/entities (other than Directors or chief executive of the Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or in any option in respect of such capital:

Name of Shareholder	Nature of interests	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(%)</i>
Lucky Team	Beneficial owner	58,132,000 ^(L)	13.72
Mr. Mak Shiu Chung, Godfrey <i>(Note 2)</i>	Interest of controlled corporation	58,132,000 ^(L)	13.72
Xu Bin <i>(Notes 3)</i>	Beneficial owner	48,960,000 ^(L)	11.56

Notes:

1. The letter "L" denotes a long position in the Shares.
2. These Shares are beneficially owned by Lucky Team, a company wholly-owned by Mr. Mak Shiu Chung, Godfrey.
3. To the best knowledge of the Directors, save for being a substantial Shareholder, Xu Bin is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules) and their respective associates.

D. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, management shareholders or their respective associates had an interest in any business which competes or may compete or had any other conflict of interest with the business of the Group pursuant to the GEM Listing Rules.

E. SERVICE CONTRACTS

Mr. Mak Shiu Chung, Godfrey has not entered into any service contract with the Company since the date of his appointment as an executive Director of the Company. He has signed a director's appointment confirmation with no fixed term of appointment as an executive Director.

Save as disclosed, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (excluding contracts expiring or determinable by the relevant employer within one year without payment of compensation other than statutory compensation).

F. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

G. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Group was made up.

H. INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors had any material interest in any contract or arrangement which is significant in relation to the business of the Group.

I. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which has been acquired or disposed of by or leased to any member of the Group since 31 December 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

J. GENERAL

- (a) The company secretary and the qualified accountant of the Company is Mr. Wong Choi Chak. Mr. Wong is an associated member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) The compliance officer of the Company is Mr. Mak Shiu Chung, Godfrey.
- (c) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office and the principal place of business of the Company in Hong Kong is at Suite No.3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong.
- (d) The branch share registrar and the transfer office of the Company in Hong Kong is Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (e) The Company established an audit committee with written terms of reference which deal with its authority and duties on 11 January 2001. The committee's primary duties are to review the Company's annual report, interim report and quarterly reports, the Group's financial control, internal control and risk management systems and to provide advice and comments thereon to the Board of Directors. The committee comprises the three Independent Non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Yu Yang.

Mr. Kwok Chi Shing, aged 45, is currently the partner of Lam, Kwok, Kwan & Cheng CPA Limited. He graduated from the University of Aberdeen, United Kingdom in 1986 with a Master of Arts Honour Degree in Accountancy with Economics. Mr. Kwok is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok has extensive experience in corporate and financial management work especially for the real estate development and property management industries. He has extensive experience in public sector work both in Hong Kong and China and he was the president of the Hong Kong Association of Financial Advisors. Except for the directorship in the Company, Mr. Kwok does not hold any directorship in other listed companies in the past three years.

Mr. Tsang Wai Sum, aged 47, he graduated from the University of London with a bachelor degree in Laws and RMIT University with a Master Degree of Finance. He is a practicing solicitor in Hong Kong and is a partner of Tsang & Wong. He has been admitted as a solicitor in England and Wales and has been admitted as a barrister and solicitor in the Supreme Court of Victoria, Australia. Except for the directorship in the Company, Mr. Tsang does not hold any directorship in other listed companies in the past three years.

Mr. Yu Yang, aged 41, he graduated from the University of Nanjing with a bachelor degree in International Commercial Business. He is currently the chairman of Nanjing Pesishing Technology Company Limited and has over 23 year's experience in Commodity trading business. Except for the directorship in the Company, Mr. Yu does not hold any directorship in other listed companies in the past three years.

- (f) The English text of this document shall prevail over the Chinese text in the case of inconsistency.

K. DOCUMENT FOR INSPECTION

Copy of the Acquisition Agreement will be made available for inspection during normal business hours at Suite No.3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong from the date of the circular up to and including 31 May 2008.