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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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**

#### **INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT SHAREHOLDERS**

**VEDA | CAPITAL**  
**智略資本**

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A letter from the Board is set out on pages 4 to 10 of this circular. A notice convening the EGM to be held at 3:00 p.m. on Thursday, 8 January 2009 at Suite No. 3, 31st Floor, Sino Plaza, 255-257, Gloucester Road, Hong Kong is set out on pages 24 to 25 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion and return of a form of proxy will not preclude you from attending and voting at the EGM in person.

*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least seven days from the date of its posting.*

\* For identification only

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 the 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.

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	11
<b>LETTER FROM VEDA CAPITAL</b> .....	12
<b>APPENDIX – GENERAL INFORMATION</b> .....	19
<b>NOTICE OF EGM</b> .....	24

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## DEFINITIONS

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

“Announcement”	the Company’s announcement dated 3 December 2008 relating to the Prior Non-Compliant Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions and the relevant annual caps
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors of the Company
“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 it in 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
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting to be held to consider and, if thought fit, 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”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

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## DEFINITIONS

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“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
“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 has been established to advise the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	shareholders of the Company other than YYE and its 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
“Latest Practicable Date”	19 December 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular
“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 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

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## DEFINITIONS

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“PRC”	the People’s Republic of China which, for the purpose of this circular, 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
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions
“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 circular, figures in Renminbi are translated into Hong Kong dollars at an exchange rate of RMB1.0000 to HK\$1.1364.*

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## LETTER FROM THE BOARD

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# 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

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent non-executive Directors:*

Mr. Kwok Chi Shing

Mr. Tsang Wai Sum

Mr. Yu Yang

*Principal place of business in Hong Kong:*

Suite No. 3, 31st Floor

Sino Plaza

255-257 Gloucester Road

Hong Kong

23 December 2008

*To the Shareholders*

Dear Sirs,

## CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

As stated in the Announcement, the Company and YYE have agreed to substitute De Feng with the Second JV Company to carry out transactions, which are under substantially the same terms as the Open-Pit Coal Supply Agreement. Due to a misunderstanding, 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.

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.

\* For identification only

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## LETTER FROM THE BOARD

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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 are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 20.45 to 20.48 of the GEM Listing Rules.

The purpose of this circular is, among other things, to provide further details of the Continuing Connected Transactions, to set out the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee with respect to the Continuing Connected Transactions and to give notice to convene the EGM to consider and, if thought fit, 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.

### **PRIOR NON-COMPLIANT NON-EXEMPT 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.

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 substantially the same terms as the Open-Pit Coal Supply Agreement. Due to a misunderstanding, 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.



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## LETTER FROM THE BOARD

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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 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.

### **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.

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## LETTER FROM THE BOARD

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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 lease of a station platform shall be payable on a bi-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 the possible price increases of approximately 10% in line with the 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 Prior Non-Compliant Non-Exempt Continuing Connected Transactions and the New Open-Pit Coal Supply Agreement were entered into for the supply of coal by YYE to De Feng from the Open-Pit Coal Mine in the PRC.

The Directors (including the independent non-executive Directors) consider the terms of 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 interests of the Company and its Shareholders.

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## LETTER FROM THE BOARD

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### GEM 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 are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 20.45 to 20.48 of the GEM Listing Rules.

Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of 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 Company and its Shareholders as a whole as required under Rule 20.22(4) of the GEM Listing Rules.

### EGM

The Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company under the GEM Listing Rules and require the approval of the Independent Shareholders.

A notice of the EGM to be held at 3:00 p.m. on Thursday, 8 January 2009, at Suite No. 3, 31st Floor, Sino Plaza, 255-257, Gloucester Road, Hong Kong at which ordinary resolutions will be proposed 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 is set out on pages 4 to 10 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

As at the Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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### POLL PROCEDURE

Article 48 of the Articles of Association of the Company sets out the procedures under which a poll may be demanded.

A resolution put to the vote at any general meeting will be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote; or
- (c) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorized representative or by proxy/proxies and holding Shares conferring a right to attend and vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

### RECOMMENDATION

The Independent Board Committee has been established to consider whether the terms of 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 course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned and Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of Veda Capital containing its advice to the Independent Board committee and the Independent Shareholders is set out on pages 12 to 18 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 11.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the opinion of Veda Capital, considers the terms of the Continuing Connected Transactions and the relevant annual caps under the Non-Exempt Continuing Connected Transactions to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole and accordingly, recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM.

### **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*

# DeTeam Company Limited

弘海有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

23 December 2008

To the Independent Shareholders

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 23 December 2008 issued to the Shareholders (the “Circular”) of which this letter forms part. Capitalized terms used herein shall have the same meanings as defined in the Circular unless otherwise requires.

As independent non-executive Directors who are independent of the Continuing Connected Transactions and not having any interest in the transactions contemplated under the Continuing Connected Transactions, we have been appointed by the Board to advise you as to whether, in our opinion, the terms of the Prior Non-Compliant Non-Exempt Continuing Connected Transactions and the terms and the relevant annual caps of the Non-Exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

Veda Capital has been appointed by the Company as the independent financial adviser to advise us regarding the fairness and reasonableness of the terms of the Prior Non-Compliant Non-Exempt Continuing Connected Transactions and the terms and the relevant annual caps of the Non-Exempt Continuing Connected Transactions. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out on pages 12 to 18 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 10 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by Veda Capital as stated in its letter of advice, we consider that the terms of the Prior Non-Compliant Non-Exempt Continuing Connected Transactions and the terms and the relevant annual caps of the Non-Exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions in relation to the Continuing Connected Transactions to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Kwok Chi Shing**  
*Independent Non-executive Director*

**Tsang Wai Sum**  
*Independent Non-executive Director*

**Yu Yang**  
*Independent Non-executive Director*

\* For identification only

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## LETTER FROM VEDA CAPITAL

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*The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*

**VEDA | CAPITAL**  
**智略資本**

**Veda Capital Limited**  
Suite 1302, 13th Floor  
Takshing House  
20 Des Voeux Road Central  
Hong Kong

23 December 2008

*To the Independent Board Committee and the Independent Shareholders of  
DeTeam Company Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, details of which are set out in the letter from the Board (the “Board Letter”) contained in this circular (the “Circular”) dated 23 December 2008 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Continuing Connected Transactions require the approval of the Independent Shareholders. At the EGM, the Independent Shareholders will be asked 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 by way of poll. As at the Latest Practicable Date, YYE and its associates did not hold any Shares. 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 Continuing Connected Transactions.

The Independent Board Committee has been established to advise whether the Continuing Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole. The Independent Board Committee (comprising the independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Yu Yang) which is not involved in or has no interest in the Continuing Connected Transactions and thus being independent, has been established to advise the Independent Shareholders in respect of the Continuing Connected Transactions. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Prior Non-Compliant Non-Exempt Continuing Connected Transactions, 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 Company and the Shareholders as a whole as required under Rule 20.22(4) of the GEM Listing Rules; and (ii) whether the Independent Shareholders should vote in favour of the relevant resolutions to ratify the Prior Non-

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## LETTER FROM VEDA CAPITAL

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Compliant Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the relevant annual caps.

### **BASIS OF OUR ADVICE**

In arriving at our recommendation, we have relied on the information including but not limited to the published information of the Group and have assumed that any representations made to us are true, accurate and complete. We have also relied on a considerable extent on the statements, information, opinions contained or referred to in the Circular and all information, opinions, statements and representations provided to us by the Directors and management of the Company. We have assumed that all information, statements, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which are solely responsible, are true and accurate at the time when they were made and will continue to be accurate as at the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the Continuing Connected Transactions and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

#### **Background and 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.

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 had been approved by the Independent Shareholders at the previous extraordinary general meeting of the Company held on 6 August 2007.

As stated in the announcement of the Company dated 24 April 2008 and the DCT Circular, since the Second JV Company could not obtain an appropriate coal trading business license from the relevant PRC government authority to engage in the sale and purchase, and distribution of coal to be extracted from the Open-Pit Coal Mine, 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 substantially the same



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## LETTER FROM VEDA CAPITAL

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terms as the Open-Pit Coal Supply Agreement, due to a misunderstanding, 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 accordingly. In fact, pursuant to the GEM Listing Rules, should the ongoing transactions between YYE and De Feng for the supply of coal exceed the threshold under Rule 20.34(2) of the GEM Listing Rules, such continuing connected transactions and the relevant caps must be approved by the Independent Shareholders.

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. 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.

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. 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 are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 20.45 to 20.48 of the GEM Listing Rules.

### **Prior Non-Compliant Non-Exempt Continuing Connected Transactions**

YYE is principally engaged in coal mine refinery, excavation of coal, processing of coal and sale of coal in the PRC whereas De Feng 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 stated in the CCT Circular, YYE has obtained the relevant approval and mining license from the relevant PRC government authority to excavate coal from the Open-Pit Coal Mine. As stated in the DCT Circular and the Board Letter, De Feng has the relevant coal trading business license to engage in the sale and purchase, and distribution of coal.

The Directors confirmed that the Prior Non-Compliant Non-Exempt Continuing Connected Transactions were under substantially the same terms as the Open-Pit Coal Supply Agreement which was approved by the Independent Shareholders at the previous extraordinary general meeting of the Company on 6 August 2007. Under the Prior Non-Compliant Non-Exempt Continuing Connected Transactions, De Feng sold coal extracted and supplied by YYE and according to the Directors, De Feng was able to mark up the prices of coal as supplied by YYE for sale at a higher pricing and we consider such arrangement is in the interests of the Company and the Shareholders. The Prior Non-Compliant Non-Exempt Continuing Connected Transactions ensured De Feng to have a steady source of coal for its coal trading business. The lease arrangement was also

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## LETTER FROM VEDA CAPITAL

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advantageous to De Feng as it ensured De Feng to have access to a station platform which was required to store the coal of De Feng pending transportation via railway elsewhere. As stated in the Board Letter, the omission by the Company to announce and obtain approval from the Independent Shareholders with respect to the Prior Non-Compliant Non-Exempt Continuing Connected Transactions was unintentional and 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.

Based on the above, we consider that the Prior Non-Compliant Non-Exempt Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole as required under Rule 20.22(4) of the GEM Listing Rules.

### **New Open-Pit Coal Supply Agreement**

Under the New Open-Pit Coal Supply Agreement, De Feng will purchase and YYE will supply coal in the circumstances which are of commercial benefit to the Group. YYE has committed that it will be able to supply De Feng at least 800,000 tons of coal per year. 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. Given that the supply price of coal to De Feng is secured at a discount of RMB40 to the market rate of coal per ton, De Feng will be entitled to the benefit of the difference of the supply price and selling price of at least RMB40 per ton, we concur with the Directors that the supply price of coal to De Feng under the New Open-Pit Coal Supply Agreement is in the interests of the Company and the Shareholders.

Under the current term of the New Open-Pit Coal Supply Agreement, De Feng will also lease a station platform located at Inner Mongolia Mine 958 on the Tong Huo Railway from YYE and if the annual supply of coal exceeds 800,000 tons, De Feng will also lease a station platform from YYE at the rate of RMB8 (approximately HK\$9.09) per ton or at such lower market rate to be agreed between YYE and De Feng. As advised by the Directors, such station platform is for the exclusive usage by YYE, the First JV Company (as defined in the CCT Circular) and De Feng but not for use by outside parties and the rate of RMB 8 per ton of coal being transported at such station platform is negotiated on arms length basis between the parties taking into account of the market lease rate of station platform at Inner Mongolia. Under the leasing arrangement of the station platform to De Feng, coal supplied by YYE to De Feng can be transported outbound for sales to generate income to De Feng. Given that such leasing rate can be adjusted to a lower level subject to agreement by De Feng and YYE, we consider such downward leasing rate adjustment to be fair and reasonable so far as the interests of the Company and the Shareholders are concerned. If the annual supply of coal is below 800,000 tons, YYE will not charge De Feng for the lease of a station platform. Given that no leasing cost of station platform will be incurred to De Feng should the supply amount of coal is less than 800,000 tons per year, we consider such arrangement is in the interests of the Company and the Independent Shareholders. As advised by the Directors, besides the possible fee for the leasing of a station platform and a monthly general administrative expenses of approximately HK\$150,000, there is no additional cost to De Feng for the sale of coal. Any transportation costs, loading fees and other related fees with respect to the coal being traded will be fully reimbursed by De Feng's clients.

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## LETTER FROM VEDA CAPITAL

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The term of the New Open-Pit Coal Supply Agreement will be effective from the date of approval by the Independent Shareholders until 31 December 2010. De Feng has option to extend the term by further 3 year terms until the expiry of De Feng's initial business license term on 22 July 2028. Having considered the flexibility associated with the right of De Feng to extend the term of the New Open-Pit Coal Supply Agreement every 3 years until the expiry of its initial term of the business license of 20 years until 2028, we share the view of the Directors that the term of the New Open-Pit Coal Supply Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### Annual caps of the New Open-Pit Coal Supply Agreement

The following sets out the annual caps of the purchase of coal and the lease of a station platform by De Feng from YYE under the New Open-Pit Coal Supply Agreement for the period representing the remaining part of the year ending 31 December 2008 and the two years ending 31 December 2010:

	<b>For the remaining period ending 31 December 2008</b>	<b>For the year ending 31 December</b>	
	<b>RMB</b>	<b>2009</b>	<b>2010</b>
	<i>(HK\$ equivalent)</i>	<i>(HK\$ equivalent)</i>	<i>(HK\$ equivalent)</i>
Annual caps	5,600,000 <i>(6,364,000)</i>	120,000,000 <i>(136,368,000)</i>	132,000,000 <i>(150,004,800)</i>

The proposed cap for the remaining period ending 31 December 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 proposed cap for the year ending 31 December 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. For the annual cap for the year ending 31 December 2010, it represents a 10% increment over the annual cap for the year ending 31 December 2009 taking into account the possible price increases of approximately 10% in line with the consumer prices.

To assess the fairness and reasonableness of the annual caps under the New Open-Pit Coal Supply Agreement, we have considered the amount of extraction from the Open-Pit Coal Mine in the next few years. According to the management, for the remaining period ending 31 December 2008, it is estimated that between 20,000 and 70,000 tons of coal will be supplied to De Feng

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## LETTER FROM VEDA CAPITAL

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depending on the date that the New Open-Pit Coal Supply Agreement will take effect from the date of approval by the Independent Shareholders. For the years ending 31 December 2009 and 2010, the Directors expect that the amount of coal supplied by YYE will be 800,000 tons, given the difference between the market price of coal per ton and the supply price per ton by YYE and that it is not likely that YYE will supply more than the minimum supply amount as agreed in the New Open-Pit Coal Supply Agreement, i.e. 800,000 tons. As a result, the component of the annual caps for the leasing of station platform are accounted as nil for the remaining period ending 31 December 2008 and the two years ending 31 December 2010.

As advised by the Directors, the market price of coal will be fluctuating from time to time and the supply price of coal from YYE to De Feng between the period of September and November 2008 varied from approximately RMB80 to RMB132 per ton (whereas the market price varied between RMB120 and RMB172 per ton). From 2009 onwards, the supply price of coal from YYE is assumed to increase annually at a rate of 10% per ton, i.e. the supply price of coal per ton will be between approximately RMB88 and RMB145 for the year ending 31 December 2009 and between RMB97 and RMB160 for the year ending 31 December 2010 respectively. According to 2006 and 2007 China Statistical Yearbook published by the National Bureau of Statistics of China, the increase in price for the category of fuels in the PRC for the years ended 31 December 2005 and 2006 were approximately 15.4% and approximately 12.4% respectively. Therefore, we concur with the Directors that the annual increment of 10% of the supply price of coal by YYE is in line with the increase of fuel price in the PRC.

By multiplying the expected supply price of coal from YYE to De Feng for the remaining period ending 31 December 2008 and the two years ending 31 December 2010 by the respective amount of extraction from the Open-Pit Coal Mine for the corresponding periods, the products are in line with the annual caps of the purchase of coal and the lease of a station platform by De Feng from YYE under the New Open-Pit Coal Supply Agreement for the period representing the remaining part of the year ending 31 December 2008 and the two years ending 31 December 2010.

In view of the above and having considered (i) the reasons for entering into the New Open-Pit Coal Supply Agreement and its basis for determining the annual caps of the purchase of coal and the lease of a station platform by De Feng from YYE; (ii) the supply rate of coal per ton to De Feng is at a discount to the market price of coal per ton; (iii) the leasing rate for using the station platform will be on normal commercial terms; and (iv) the estimated increasing amount of the coal that will be extracted from the Open-Pit Coal Mine, we consider that the terms of the New Open-Pit Coal Supply Agreement and its basis for determining the annual caps are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

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## LETTER FROM VEDA CAPITAL

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### RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, we consider that the terms of the Continuing Connected Transactions and the basis for determining the annual caps under the Non-Exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolutions to be proposed at 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.

Yours faithfully,

For and on behalf of

**Veda Capital Limited**

**Hans Wong**

**Julisa Fong**

*Managing Director*

*Executive Director*

**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:

**Interests in Shares and equity derivatives**

Name of Directors	Personal interests (Note 2)	Family interests	Number of Shares			Total Interests	Approximate percentage of the Company's issued share capital
			Corporate interests	Long position/(Short position)	Number of underlying Shares held Under equity derivatives		
Mr. Mak Shiu Chung, Godfrey	-	-	58,132,000 <sup>(L)</sup> (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 paragraph headed "Interests in Shares and equity derivatives" 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 (Note 3)	Approximate percentage of shareholding
Lucky Team	Beneficial Owner	58,132,000 <sup>(L)</sup> (Note 1)	13.72%
Li Gui Yan	Beneficial Owner	35,100,000 <sup>(L)</sup> (Note 2)	8.29%
Xu Bin	Beneficial Owner and Interest of Spouse	50,960,000 <sup>(L)</sup> (Notes 2 & 4)	12.03%
Shao Ze Yun	Beneficial Owner and Interest of Spouse	50,960,000 <sup>(L)</sup> (Notes 2 & 5)	12.03%

*Notes:*

- Lucky Team is a company incorporated in the British Virgin Islands with limited liability, which is 100% owned by Mr. Mak Shiu Chung, Godfrey, the Chairman and executive Director of the Company.
- 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.
- The letter "L" denotes a long position in the Shares.
- Mr. Xu Bin is beneficially interested in 48,960,000 Shares and is deemed to be interested in 2,000,000 Shares by virtue of being a spouse of Ms. Shao Ze Yun.
- Ms. Shao Ze Yun is beneficially interested in 2,000,000 Shares and is deemed to be interested in 48,960,000 Shares by virtue of being a spouse of Mr. Xu Bin.

**(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:

<b>Name of Shareholder</b>	<b>Nature of interests</b>	<b>Number of Shares held</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b> <i>(%)</i>
Lucky Team	Beneficial owner	58,132,000 <sup>(L)</sup>	13.72
Mr. Mak Shiu Chung, Godfrey <i>(Note 2)</i>	Interest of controlled corporation	58,132,000 <sup>(L)</sup>	13.72
Xu Bin <i>(Note 3)</i>	Beneficial owner and Interest of Spouse	50,960,000 <sup>(L)</sup>	12.03
Ms. Shao Ze Yun <i>(Note 3)</i>	Beneficial owner and Interest of Spouse	50,960,000 <sup>(L)</sup>	12.03

*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 substantial Shareholders, Mr. Xu Bin and Ms. Shao Ze Yun are third parties 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. 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.



**F. INTEREST IN ASSETS**

As at the Latest Practicable Date, none of the Directors or expert 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.

**G. 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).

**H. 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.

**I. 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.

**J. QUALIFICATION AND CONSENT OF EXPERT**

The following are the qualifications of the expert (the "Expert") who have given its letters for the inclusion in this circular:

<b>Name</b>	<b>Qualifications</b>	<b>Nature of opinion or advice</b>	<b>Date of opinion</b>
Veda Capital	A licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity (as defined under the SFO)	Letter to the Independent Board Committee and the Independent Shareholders	23 December 2008

The Expert has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its letter and references to its names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Expert did not have any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

**K. 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 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.
- (c) 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.
- (d) The English text of this document shall prevail over the Chinese text in the case of inconsistency.

**L. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at Suite No.3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong up to and including 8 January 2009:

- (i) the Open-Pit Coal Supply Agreement;
- (ii) the New Open-Pit Coal Supply Agreement;
- (iii) the letter from Veda Capital to the Independent Board Committee and the Independent Shareholders as set out on pages 12 to 18 of the circular;
- (iv) the written consent from Veda Capital as referred to under the paragraph headed "Qualification and Consent of Expert" in this appendix; and
- (v) the letter from the Independent Board Committee to the Independent Shareholders as set out on page 11 of this circular.

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## NOTICE OF EGM

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# DeTeam Company Limited

## 弘海有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of DeTeam Company Limited 弘海有限公司 (the “**Company**”) will be held at 3:00 p.m. on Thursday, 8 January 2009, at Suite No. 3, 31st Floor, Sino Plaza, 255-257, Gloucester Road, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

### ORDINARY RESOLUTIONS

1. “**THAT** the Prior Non-Compliant Non-Exempt Continuing Connected Transactions (as defined in the circular issued by the Company on 23 December 2008 (the “**Circular**”)) and the terms of such transactions be and are hereby ratified.”
2. “**THAT:**
  - (a) the agreement (the “**New Open-Pit Coal Supply Agreement**”) dated 3 December 2008 entered into between YYE and De Feng, a copy of which is marked “A” is tabled at the meeting and initialed by the chairman of the meeting for identification purpose, in relation to (i) the 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; and (ii) the lease of a station platform located at Inner Mongolia Mine 958 on the Tong Huo railway by YYE to De Feng and the terms of the transactions contemplated under the New Open-Pit Coal Supply Agreement and the implementation thereof be and are hereby approved;
  - (b) the proposed caps in relation to the transactions under the New Open-Pit Coal Supply Agreement for the period from the date on which the New Open-Pit Coal Supply Agreement becomes effective until 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed RMB5,600,000, RMB120,000,000 and RMB132,000,000 respectively be and are hereby approved; and

\* For identification only

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## NOTICE OF EGM

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- (c) any director of the Company be and is hereby authorized for and on behalf of the Company to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the New Open-Pit Coal Supply Agreement.”

By Order of the Board  
**DeTeam Company Limited**  
**Mr. Mak Shiu Chung, Godfrey**  
*Chairman*

Hong Kong, 23 December 2008

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who holds two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.
2. A form of proxy for use at the above meeting is enclosed herewith.
3. If two or more persons are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the principal or branch register of members of the Company in respect of joint holding.

As at the date of this notice, the Board comprises:

*Executive Directors*

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

*Independent Non-Executive Directors*

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