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*This report, for which the directors (the "Directors") of DeTeam Company Limited (the "Company" and together with its subsidiaries, the "Group") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market (the "GEM") of the Stock Exchange (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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **DeTeam Company Limited**

**弘海有限公司\***

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

(Stock Code: 8112)

### **FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2008**

#### **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE**

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 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 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 newspapers. 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.

\* For identification only

## HIGHLIGHTS

- Turnover of the Group for the three months ended 31 March 2008 was approximately HK\$75,959,000 representing an increase of approximately 104% as compared with the corresponding period in 2007.
- The Group recorded a net profit of approximately HK\$10,334,000 for the three months ended 31 March 2008.
- The Directors do not recommend payment of any dividend for the three months ended 31 March 2008.

## RESULTS

The board of Directors (the "Board") hereby announces the unaudited consolidated results of the Group for the three months ended 31 March 2008, together with the unaudited comparative figures for the corresponding period in 2007 as follows:–

### Condensed Consolidated Income Statement – unaudited

	Notes	Three months ended	
		2008	2007
		HK\$'000	HK\$'000
			(Restated)
<b>Continuing operations</b>			
<b>Turnover</b>	2	<b>75,959</b>	37,215
Cost of sales		<b>(60,844)</b>	(30,127)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>15,115</b>	7,088
Other income		<b>1,224</b>	14
Administrative expenses		<b>(3,546)</b>	(1,270)
		<hr/>	<hr/>
<b>Profit from operations</b>		<b>12,793</b>	5,832
Finance Costs		<b>(5)</b>	–
		<hr/>	<hr/>
<b>Profit before tax</b>		<b>12,788</b>	5,832
Income tax credit	3	<b>(2,454)</b>	–
		<hr/>	<hr/>
<b>Profit for the period from continuing operations</b>		<b>10,334</b>	5,832

	<b>Three months ended</b>	
	<b>31 March</b>	
<i>Notes</i>	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Discontinued operation</b>		
Loss for the period from discontinued operation	–	(897)
	<u>          </u>	<u>          </u>
<b>Profit for the period</b>	<b>10,334</b>	4,935
	<u>          </u>	<u>          </u>
<b>Attributable to:</b>		
Equity holders of the Company	<b>10,030</b>	4,935
Minority Interests	<b>304</b>	–
	<u>          </u>	<u>          </u>
	<b>10,334</b>	4,935
	<u>          </u>	<u>          </u>
<b>Earnings per share</b>		
From continuing and discontinued operations		
– Basic	<b>2.37 cents</b>	1.67 cents
	<u>          </u>	<u>          </u>
– Diluted	<b>N/A</b>	N/A
	<u>          </u>	<u>          </u>
From continuing operations		
– Basic	<b>2.37 cents</b>	1.97 cents
	<u>          </u>	<u>          </u>
– Diluted	<b>N/A</b>	N/A
	<u>          </u>	<u>          </u>

## Notes:

**1. Basis of preparation**

The accompanying unaudited consolidated results of the Group are prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRS'). The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

The consolidated results are unaudited but have been reviewed by the Company's audit committee in accordance with rule 5.30 of the Gem Listing rule.

**2. Turnover**

The Group's turnover which represents sales of plastic woven bags to customers is as follows:–

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Sale of bags	<b>75,959</b>	37,215
Revenue from transportation technology solution contracts	–	290
	<b><u>75,959</u></b>	<u>37,505</u>
Representing:		
Continuing operations	<b>75,959</b>	37,215
Discontinued operation (revenue from transportation technology solution contracts)	–	290
	<b><u>75,959</u></b>	<u>37,505</u>

No geographical segment information is presented as substantially all the Group's turnover and contribution to operating results were derived from the PRC and substantially all customers and assets are located in the PRC.

**3. Income tax expense**

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the year ended 31 March 2008 (2007 :HK\$Nil).

Under the Law of the People's Republic of China on Enterprise Income Taxes ("New Income Tax Law") with effect from 1 January, 2008, the subsidiary, Changchun Yicheng Packaging Company Limited ("Changchun Yicheng") operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with New Income Tax Law. Pursuant to a notice issued by Changchun Green District State Tax Bureau (長春綠園國家稅務局), Changchun Yicheng is exempted from enterprise income tax from 1 May 2006 to 31 December 2007, followed by a 50% reduction for the next three years.

The subsidiary, Inner Mongolia Jinyuanli Underground Mining Company Limited ("Inner Mongolia Jinyuanli"), operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with the PRC Income Tax Law. No provision for enterprise income tax has been made as it has no assessable profit for the period.

**4. Dividend**

The Directors do not recommend payment of any dividend for the three months ended 31 March 2008 (2007: Nil).

**5. Earnings per share**

(a) *From continuing and discontinued operations*

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the period ended 31 March 2008 attributable to equity holder of the Company of approximately HK\$10,030,000 (2007: HK\$4,935,000) and the weighted average number of ordinary shares of 423,552,000 (2007:296,060,000) in issue during the period.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the period ended 31 March 2007 and 2008.

(b) *From continuing operations*

Basic earnings per share

The calculation of basic earnings per share from continuing operations attributable to equity holders of the Company is based on the profit for the period ended 31 March 2008 from continuing operations attributable to equity holders of the Company of approximately HK\$10,030,000 (2007: HK\$5,832,000) and the denominators used are the same as that detailed above for basic earnings per share.

Diluted earnings per share

No diluted earnings per share are presented as that detailed above for the diluted earnings per share.

(c) *From discontinued operation*

Basic earnings per share from the discontinued operation is nil cent per share (2007: loss per share of 0.30 cent per share), based on the profit for the period ended 31 March 2008 from discontinued operation attributable to the equity holders of the Company of nil (2007: loss of HK\$897,000) and the denominators used are the same as those detailed above for basic earnings per share.

No diluted earnings per share are presented as that detailed above for the diluted earnings per share.

**6. Reserves**

	Issued Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Capital Reserve <i>HK\$'00000</i>	Exchange Reserve <i>HK\$'000</i>	Accumulated Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008	42,355	307,239	(1,628)	6,070	(17,016)	337,020
Exchange Difference	-	-	-	63	-	63
Profit for the period	-	-	-	-	10,334	10,334
At 31 March 2008	<u>42,355</u>	<u>307,239</u>	<u>(1,628)</u>	<u>6,133</u>	<u>(6,682)</u>	<u>347,417</u>
At 1 January 2007	29,606	45,917	(1,628)	365	(53,089)	21,171
Profit for the period	-	-	-	-	4,935	4,935
At 31 March 2007	<u>29,606</u>	<u>45,917</u>	<u>(1,628)</u>	<u>365</u>	<u>(48,154)</u>	<u>26,106</u>

## 7. Segment Information

No segment information is presented as at the period ended 31 March 2008 as all the Group's turnover and contribution to operating results were substantially derived from the plastic woven bags business.

An analysis of the Group's income and results for the three months ended 31 March 2007 are as follows:

### Business segments

The Group is primarily engaged in the production and sales of plastic woven bags and paper tubes in the PRC and coal mining and trading in the PRC.

	<u>Continuing operations</u>	<u>Discontinued operation</u>	
	<b>Plastic woven bags</b>	<b>Transportation Technology solution</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>			
External revenue	37,215	290	37,505
<b>RESULTS</b>			
Segment results	7,088	10	7,098
Unallocated corporate revenue	14	–	14
Unallocated corporate expenses	(945)	(575)	(1,520)
			5,592
Operating loss excluding interest income/expenses			(595)
Interest income			–
Interest expenses			(62)
			4,935
Profit before taxation			4,935
Income tax expenses			–
Net Profit for the period			4,935

## MANAGEMENT DISCUSSION AND ANALYSIS

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The Group is principally engaged in production and sales of plastic woven bags, paper bags and paper tubes in the PRC and coal mining and trading in the PRC.

### Financial and business review

The Group recorded a turnover of approximately HK\$75,959,000 for the three months ended 31 March 2008, representing an increase of approximately 104% as compared with the corresponding period in 2007. A net profit of approximately HK\$10,334,000 was recorded for the three month ended 31 March 2008 as compared with a net profit of approximately HK\$5,832,000 for the three months ended 31 March 2007. The increase reflected the fact that the strong demand from packaging business in the period and turnover for the three months ended 31 March 2008 was mainly contributed by sales of plastic woven bags business.

The excavation of the underground coal mine is in progress and a second contribution of approximately HK\$3,900,000 has been made during the period.

### Capital structure and Material acquisition

During the three months ended 31 March 2008, there were no changes in the Company's authorized share capital.

The Group has no material acquisition or disposal of subsidiaries and affiliated companies during the three months ended 31 March 2008.

### Prospects

Due to the boost order of the plastic woven bag's business and the customer's strong demand, the Group further invested approximately HK\$51.5 million in the construction of a new production plant of plastic woven bags. The Group commenced to test production of large woven bags in the new production plant and it is expected that the sale of large woven bags will bring a new source of earning.

The excavation of the underground coal mines is in progress and it is expected that the underground coal mines will start production by the end of this year.

Save as the announcement which published on 24 April, 2008, the company entered into the Equity Transfer Agreement with Yuan Yuan in relation to the acquisition of equity interest in De Feng at a total consideration of RMB2,550,000. Upon completion of the Equity Transfer Agreement, the Group and YYE will hold 51% and 49% equity interests in the registered capital of De Feng respectively. It is intended that De Feng will substitute the Second JV Company and Yuan Yuan will base on the Open-pit coal Supply Agreement to supply at least 800,000 tons of coal to De Feng each year.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2008, the interests and short positions of each Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the laws of Hong Kong) (the "SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken 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 Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### (I) Interests in shares of the Company (Note 1)

Name	Number of ordinary shares				Percentage of issued share capital
	Personal interests (Note 2)	Corporate Interests	Family interests	Other interests	
Mak Shiu Chung, Godfrey	-	58,132,000(L) (Note 4)	-	-	13.72%
Tsang Wai Sum	192,000(L)	-	-	-	0.05%

#### Notes:

- As defined in section 311 of the SFO, a reference to interests in shares comprised in the relevant share capital of a listed corporation includes a reference to interests in shares so comprised, which are the underlying shares of equity derivatives.
- These interests are the same interests as those described in Section (II) below.
- The letter "L" denotes a long position in the shares.
- These shares are beneficially owned by Lucky Team International Limited ("Lucky Team"), a company incorporated in the British Virgin Islands. 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 owned by Lucky Team.



**(II) Interests in equity derivatives (as defined in the SFO) in, or in respect of, underlying shares**

As at 31 March 2008, none of the Directors, Chief Executives of the Company or their associates had any interests in the shares or debentures of, or short positions in the shares 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 have taken or deemed to have taken 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, were required to be notified to the Company and the Stock Exchange.

## **SHARE OPTION SCHEME**

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The Company's new share option scheme (the "New Scheme") was adopted at the annual general meeting held on 25 April 2003. A summary of the principal terms of the New Scheme is set out in the circular of the Company dated 31 March 2003.

Under the New Scheme, the Directors may, at their discretion, offer options to Participants (as defined in the circular of the Company dated 31 March 2003) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

No share options under the new Share Option Scheme adopted by the Company were granted during the three months ended 31 March 2008.

As at the period ended 31 March, 2008, there is no outstanding share option to be exercised under the New Scheme

## **DIRECTORS' INTEREST IN CONTRACTS**

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No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

## SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the paragraph headed "Directors' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporations" above, as at 31 March 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed the following persons or corporations (other than the directors or chief executives of the Company) as having an interest of 5% or more of the issued share capital of the Company.

Name	Capacity/ Nature of interest	Number of Shares	Percentage of issued share capital
Lucky Team	Beneficial Owner	58,132,000(L) <i>(Note 1)</i>	13.72%
Xu Bin	Beneficial Owner	48,960,000(L) <i>(Note 2)</i>	11.56%
Li Gui Yan	Beneficial Owner	35,100,000(L) <i>(Note 2)</i>	8.29%

*Notes:*

1. Lucky Team is a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Mak Shiu Chung, Godfrey, an executive director of the Company.
2. To the best knowledge of the Directors, this party is independent of and not connected with the directors, chief executives, 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.

Save as disclosed above, as at 31 March 2008, the Directors are not aware of any other persons who has interests and/or short positions in the shares, underlying shares and debentures of, the Company or any associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO.

## **DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

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Save as disclosed under the Section headed "Directors' and Chief Executive's Interests and Short Positions in the shares, Underlying Shares and Debentures of the Company or any Associated Corporations", as at 31 March 2008, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and Chief Executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Chief Executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

## **COMPETING INTEREST**

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None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

## **AUDIT COMMITTEE**

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The Company established an audit committee with written terms of reference in compliance in Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. During the three month ended 31 March, 2008, the audit committee comprises three members, Mr. Kwok Chi Shing, and Mr. Tsang Wai Sum and Mr. Yu Yang. All of them are independent non-executor Directors.

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

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The Company has adopted a code of conduct regarding Directors' securities transactions on term no less exacting than the required standard dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rule throughout the period ended 31 March 2008, Having made specific enquiry of all Directors, the Directors have complied with such coded of conduct and the required standard of dealing throughout the period 31 March, 2008.

## **CORPORATE GOVERNANCE**

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During the three months ended 31 March 2008, the Company has complied with the requirement of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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The Company has not redeemed any of its shares during the three months ended 31 March 2008. Neither the Company nor any of its subsidiaries has purchased, sold any of the Company's shares.

By order of the Board  
**Mak Shiu Chung, Godfrey**  
*Chairman*

Hong Kong 15 May 2008

As at the date of this report, 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