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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 2007**

#### **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 2007 was approximately HK\$37,505,000 representing an increase of approximately 81 times as compared with the corresponding period in 2006.
- The Group recorded a net profit of approximately HK\$4,935,000 for the three months ended 31 March 2007.
- The Directors do not recommend payment of any dividend for the three months ended 31 March 2007.

## RESULTS

The board of Directors (the "Board") hereby announces the unaudited consolidated results of the Group for the three months ended 31 March 2007, together with the unaudited comparative figures for the corresponding period in 2006 as follows:

### Condensed Consolidated Income Statement – unaudited

	<i>Notes</i>	Three months ended	
		2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	37,505	457
Cost of sales and services		(30,407)	(345)
Gross profit		7,098	112
Other income		14	202
Distribution costs		(151)	(277)
Administrative expenses		(1,843)	(1,607)
Profit/(loss) from operations		5,118	(1,570)
Finance Costs		(183)	(127)
Share of Loss of an associated Company		–	(201)
Profit/(loss) before tax		4,935	(1,898)
Income tax expense	3	–	–
Profit/(loss) for the period attributable to equity holders of the Company		4,935	(1,898)
Earnings/(loss) per share – basic	5	1.67 cents	(0.91cents)

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 2006.

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 bags to customers and revenue from transportation technology solution contracts are as follows:-

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Sale of bags	<b>37,215</b>	-
Revenue from transportation technology solution contracts	<b>290</b>	457
	<b><u>37,505</u></b>	<u>457</u>

No geographical segment information is presented as the Group's revenue and assets are substantially derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

**3. Income tax expense**

- (a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the three ended 31 March 2007 (2006: HK\$Nil). The subsidiary, Beijing Angels Communications Technology Co., Ltd ("Beijing Angels"), operating in the PRC, is subject to enterprise income tax rate of 33% on their taxable profit in accordance with Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise (中華人民共和國外商投資企業和外國企業所得稅法) (the "PRC Income Tax Law"). The subsidiary, Changchun Yicheng Packaging Company Limited ("Changchun Yicheng") operating in the PRC, is subject to enterprise income tax rate of 33% in accordance with the PRC Income Tax Law. However, 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.

- (b) The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Profit/(loss) before tax	<b><u>10,133</u></b>	<b><u>(8,948)</u></b>
Tax at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	<b>1,773</b>	(1,566)
Expenses not deductible for tax purposes	<b>165</b>	541
Income tax exempted	<b>(2,725)</b>	–
Income not taxable	<b>(26)</b>	–
Tax losses for which no deferred income tax asset was recognised	<b><u>813</u></b>	<u>1,025</u>
Income tax expense	<b><u>–</u></b>	<b><u>–</u></b>

- (c) At the balance sheet date the Group has unused tax losses of approximately HK\$11,395,000 (2006: HK\$8,585,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses of HK\$5,101,000, HK\$3,827,000 and HK\$2,467,000 will expire on 31 December 2007, 31 December 2010 and 31 December 2011 respectively.

#### 4. Dividend

The Directors do not recommend payment of any dividend for the three months ended 31 March 2007 (2006: Nil).

#### 5. Earnings/(Loss) per share

Earning per share for the three months ended 31 March 2007 are calculated based on the Group's profit attributable to the shareholders of HK\$4,935,000 (Loss attributable to the shareholder of 2006: HK\$1,898,000) and on the weighted average number of 296,060,000 shares (2006: 208,533,000 shares) in issue during the periods.

Diluted earnings/(loss) per share was not presented because there were no potential dilutive ordinary shares in existence during the three months ended 31 March 2007 (2006: Nil).

## 6. Reserves

	Issued Capital HK\$'000	Share Premium HK\$'000	Capital Reserve HK\$'000	Exchange Reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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>

  

	Issued Capital HK\$'000	Share Premium HK\$'000	Capital Reserve HK\$'000	Exchange Reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2006	20,400	37,010	(1,628)	3	(63,222)	(7,437)
Exchange Difference	—	—	—	(64)	—	(64)
Share Issued	2,040	—	—	—	—	2,040
Share issue expenses	—	(217)	—	—	—	(217)
Loss for the period	—	—	—	—	(1,898)	(1,898)
At 31 March 2006	<u>22,440</u>	<u>36,793</u>	<u>(1,628)</u>	<u>(61)</u>	<u>(65,120)</u>	<u>(7,576)</u>

## 7. Segment Information

An analysis of the Group's income and results for the three months ended 31 March 2007 and 2006 are as follows:

### Business segments

The Group is primarily engaged in the production and sales of plastic woven bags and in the provision of transportation technology solution.

	Production and sales of plastic woven bags		Provision of transportation technology solution		Total	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
REVENUE						
External revenue	<u>37,215</u>	<u>—</u>	<u>290</u>	<u>457</u>	<u>37,505</u>	<u>457</u>
RESULTS						
Segment results	7,088	—	10	112	7,098	112
Unallocated corporate revenue	14	—	—	202	14	202
Unallocated corporate expenses	(945)	—	(575)	(981)	(1,520)	(981)
					5,592	(667)
Operating loss excluding interest income/expenses					(595)	(1,104)
Interest Income					—	—
Interest expenses					(62)	(127)
Profit/(Loss) before taxation					4,935	(1,898)
Income tax expense					—	—
Net Profit/(loss) for the period					<u>4,935</u>	<u>(1,898)</u>

## 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 is also engaged in the provision of transportation technology solution in the PRC.

### Financial and business review

The Group recorded a turnover of approximately HK\$37,505,000 for the three months ended 31 March 2007, representing an increase of approximately 81 times as compared with the corresponding period in 2006. A net profit of approximately HK\$4,935,000 was recorded for the three months ended 31 March 2007 as compared with a net loss of approximately HK\$1,898,000 for the three months ended 31 March 2006. The increase reflected the fact that there was a solid contribution from packaging business in the period and turnover for the three months ended 31 March, 2007 was mainly contributed by sales of plastic woven bags business and the toll collection system in Yunnan province.

In January 2007, the Group repaid the short term loan of HK\$1,000,000. The remaining balance of HK\$1,500,000 plus accrued interest totalling HK\$1,983,452 was renewed at same interest rate and repayable on 5 January 2008.

With the successful result of Changchun Yicheng, the Group will continue to seek its growth potential horizontally and by investing in the production and sales of large plastic woven bags.

### Capital structure and Material acquisition

During the three months ended 31 March 2007, there were no changes in the Company's authorized share capital and the carrying amount of plant and machinery amounted to HK\$13,501,000 was pledged as securities for the Group's bank loan of RMB7,000,000.

The Group has no material acquisition or disposal of subsidiaries and affiliated companies during the three months ended 31 March 2007.

### Prospects

Due to the boost order of the bag's business, it is the intention of the Company to increase the production capacity of the Company and to produce large plastic woven bags to satisfy the demand from the existing and potential new customers. The Company has paid a deposit for an adjacent plot of land to the existing factory for expansion purpose. The board of directors expect that the bag's business will continue to contribute a solid result to the Group and at the same time, the Group will continue to seek out investment opportunities with the aim to bring satisfactory rewards to the shareholders.

## 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 2007, 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	
Yan, Daniel X.D.	1,500,000(L)	20,000,000(L) (Note 4)	-	-	7.26%
Mak Shiu Chung, Godfrey	-	56,900,000(L) (Note 5)	-	-	19.22%

#### 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 Sebastian International Holdings Limited ("Sebastian"), a company incorporated in the British Virgin Islands. By virtue of his 100% shareholding in Sebastian, Mr. Yan, Daniel X.D. is deemed or taken to be interested in the 20,000,000 shares owned by Sebastian.
- 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 56,900,000 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 2007, the executive Directors have outstanding share options granted pursuant to the Company's share option scheme, details of which were set out below and in the section headed "Share Option Scheme".

Name	Date of grant	Number of underlying shares in respect of outstanding options as at 31 December 2006	Number of underlying shares in respect of outstanding options as at 31 March 2007	Consideration		Exercise period
				Price for grant (for all)	Exercise price per share (HK\$)	
Yan Daniel X.D.	28.3.2002	1,500,000	1,500,000 (L)	10.00	1.28	10.08.2002 – 09.08.2011

*Note:* the letter "L" denotes a long position in the underlying shares.

Save as disclosed above, as at 31 March 2007, 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**

The Company adopted a share option scheme (the "Old Scheme") on 16 August 2001 which was terminated pursuant to a resolution passed at the annual general meeting held on 25 April 2003, and the summary of the principal terms of the Old Scheme is set out in Appendix IV of prospectus of the Company dated 22 August 2001 under the section headed "Share Option Scheme".

Before 25 April 2003, options comprising a total of 8,288,000 underlying shares were granted under the Old Scheme to employees (including executive directors) of the Group at an exercise price of HK\$1.28 per share with the exercise period from 10 August 2002 to 9 August 2011 (both dates inclusive) (first tranche of 50% exercisable from 10 August 2002 and the remaining tranche of 50% from 10 August 2003).



Details of share option movements during the period under review are as follows:

Name	Date of Grant	Exercise price (HK\$)	Exercise period	Closing price before date of grant (HK\$)	Number of Share Options		
					Outstanding at 31 December 2006	Granted/ exercised/ lapsed/ cancelled during the period between 1 Jan 2007 to 31 March 2007	Outstanding at 31 March 2007
Yan Daniel X.D.*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1,500,000	–	1,500,000
Employees	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	5,088,000	(5,088,000)	–
Employees	22.11.2006	0.68	23.5.2007 – 22.11.2016	0.79	26,700,000	(26,700,000)	–

\* executive directors of the Company

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.

As at the extraordinary general meeting held on 26 August 2006, the resolution is passed to grant options under the New scheme to subscribe for up to 29,376,000, which representing 10% of the existing issue share capital of the Company. Options to subscribe for a total 29,000,000 option share of the Company has been granted under the New Scheme.

As at the period ended 31 March, 2007, 5,088,000 share option under the Old scheme were cancelled and 6,000,000 and 20,700,000 share options which granted on 22 November 2006 under the New Scheme were cancelled and lapsed respectively.

## DIRECTORS' INTEREST IN CONTRACTS

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 2007, 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	56,900,000(L) <i>(Note 1)</i>	19.22%
Xu Bin	Beneficial Owner	48,960,000(L) <i>(Note 2)</i>	16.54%
Li Gui Yan	Beneficial Owner	35,100,000(L) <i>(Note 2)</i>	11.86%
Sebastian	Beneficial Owner	20,000,000(L) <i>(Note 3)</i>	6.76%
Lau Ying Ying, Angela	Interest of Spouse	21,500,000(L) <i>(Note 4)</i>	7.26%

*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. Sebastian is a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Yan Daniel X.D, the Chairman and an executive director of the Company.
4. Ms. Lau Ying Ying, Angela is deemed to be interested in these shares by virtue of the fact that she is the wife of Mr. Yan Daniel X.D., the Chairman of the Company and an executive Director.
5. The letter "L" denotes a long position in the shares.

Save as disclosed above, as at 31 March 2007, 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 2007, 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 on 16 August 2001 comprising the independent non-executive Directors, during the period, Mr. Yang Xiaoping, Mr Kwok Chi Shing, and Mr. Tsang Wai Sum. The written terms of reference of the audit committee comply with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee of the Board will also be responsible for supervising and reviewing the financial reporting process and internal control system of the Group.

## **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 2007, 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, 2007.

## CORPORATE GOVERNANCE

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During the three months ended 31 March 2007, 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 2007. 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**  
*Executive Director*

Hong Kong 14 May 2007

As at the date of this report, the Board comprise:

*Executive Directors*

Mr. Yan, Daniel X.D.

Mr. Mak Shiu Chung, Godfrey

Mr. Zhang Chao Liang

Mr. Wang Hon Chen

*Independent Non-Executive Directors*

Mr. Yang Xiaoping

Mr. Kwok Chi Shing

Mr. Tsang Wai Sum