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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)

### **THIRD QUARTERLY REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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

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- Turnover of the Group for the nine months ended 30 September 2008 was approximately HK\$238,851,000 representing an increase of approximately 84% compared with the corresponding period in 2007.
- The Group recorded a net profit of approximately HK\$32,795,000 for the nine months ended 30 September 2008.
- The Directors do not recommend payment of any dividend for the nine months ended 30 September 2008.

## RESULTS

The board of Directors (the "Board") hereby to announce the unaudited consolidated results of the Group for the three months and nine months ended 30 September 2008, together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

### Condensed Consolidated Income Statement – unaudited

	Notes	Three months ended 30 September 2008		Nine months ended 30 September 2008	
		2007 2008 HK\$'000	2007 2008 HK\$'000	2007 2008 HK\$'000	2007 2008 HK\$'000
<b>Continuing operations</b>					
Turnover	2	83,740	49,862	238,851	130,164
Cost of sales		(64,807)	(40,088)	(189,582)	(104,290)
<b>Gross profit</b>		<b>18,933</b>	<b>9,774</b>	<b>49,269</b>	<b>25,874</b>
Other income		590	1,923	2,502	1,952
Discount on acquisition of subsidiary		566	–	566	–
Distribution costs		(227)	–	(227)	–
Administrative expenses		(5,408)	(2,712)	(13,191)	(6,130)
<b>Profit from operations</b>		<b>14,454</b>	<b>8,985</b>	<b>38,919</b>	<b>21,696</b>
Finance Cost		(162)	(263)	(213)	(507)
<b>Profit before tax</b>		<b>14,292</b>	<b>8,722</b>	<b>38,706</b>	<b>21,189</b>
Income tax	3	(3,071)	–	(7,405)	–
<b>Profit for the period from continuing operations</b>		<b>11,221</b>	<b>8,722</b>	<b>31,301</b>	<b>21,189</b>
<b>Discontinued operation</b>					
Loss for the period from discontinued operation		–	(545)	–	(1,479)
<b>Profit for the period</b>		<b>11,221</b>	<b>8,177</b>	<b>31,301</b>	<b>19,710</b>
<b>Attributable to:</b>					
Equity holders of the Company		11,952	8,177	32,795	19,710
Minority Interests		(731)	–	(1,494)	–
		<b>11,221</b>	<b>8,177</b>	<b>31,301</b>	<b>19,710</b>
<b>Earnings per share</b>					
From continuing and discontinued operations	5	<b>2.82 cents</b>	2.05 cents	<b>7.74 cents</b>	5.92 cents
– Basic					
– Diluted		N/A	2.04 cents	N/A	5.91 cents
From continuing operation		<b>2.82 cents</b>	2.19 cents	<b>7.74 cents</b>	6.37 cents
– Basic					
– Diluted		N/A	2.18 cents	N/A	6.35 cents

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 Rules.

**2. Turnover**

The Group's turnover which represents sales of plastic woven bags and sales of coal are follows:

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales of plastic woven bags	<b>228,747</b>	130,164
Sales of coal	<b>10,104</b>	–
Revenue from transportation technology solution contracts	–	812
	<b><u>238,851</u></b>	<b><u>130,976</u></b>
Representing:		
Continuing operations	<b>238,851</b>	130,164
Discontinued operation (revenue from transportation technology solution contracts)	–	812
	<b><u>238,851</u></b>	<b><u>130,976</u></b>

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 expenses

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the year ended 30 September 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, our subsidiaries operating in the PRC is subject to enterprise income tax rate of 25% on its taxable profit in accordance with New Income Tax except for:

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 are 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 nine months ended 30 September 2008 (2007: Nil).

### 5. Earning 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 nine months and three months ended 30 September 2008 attributable to equity holders of the Company of HK\$32,795,000 and HK\$11,952,000 respectively (Profit attributable to the shareholders for the corresponding period in 2007: HK\$19,710,000 and HK\$8,177,000) and the weighted average number of ordinary shares of 423,552,000 (2007: 332,743,500 and 398,402,957) 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 30 September 2008. Diluted earnings per share for the nine months and three months ended 30 September 2007 are calculated based on the Group's profit attributable to the shareholder of HK\$19,710,000 and HK\$8,177,000 and on the average number of 333,551,253 and 399,902,957 ordinary shares respectively.

#### (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 nine months and three months ended 30 September 2008 from continuing operations attributable to equity holders of the Company of approximately HK\$32,795,000 and HK\$11,952,000 (2007: HK\$21,189,000 and HK\$8,722,000) 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 the Company did not have any dilutive ordinary shares during the period ended 30 September 2008. Diluted earnings per share for the nine months and three months ended 30 September 2007 are calculated based on the Group's profit attributable to the shareholder of HK\$21,189,000 and HK\$8,722,000 and the denominators used are the same as that detailed above for diluted earnings per share.

(c) *From discontinued operation*

Basic earnings per share from the discontinued operation during the nine months and three months ended 30 September 2008 is nil cent per share (Loss attributable to shareholder in corresponding period 2007: HK\$1,479,000 and HK\$545,000) and the denominators used are the same as those detailed above for basic earnings per share.

## 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 30 September 2008. Diluted earnings per share for the nine months and three months ended 30 September 2007 are calculated based on the Group's loss attributable to the shareholder of HK\$1,479,000 and HK\$545,000 and the denominators used are the same as that detailed above for diluted earnings per share.

**6 Condensed Consolidated statement of changes in equity – unaudited**

Movements in the share capital and reserves of the Group were as follows:

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated profit <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2008	42,355	307,239	(1,628)	6,070	(17,016)	337,020
Exchange Difference	-	-	-	3,424	-	3,424
Profit for the period	-	-	-	-	32,795	32,795
At 30 September 2008	<u>42,355</u>	<u>307,239</u>	<u>(1,628)</u>	<u>9,494</u>	<u>15,779</u>	<u>373,239</u>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2007	29,606	45,917	(1,628)	365	(53,089)	21,171
Issue of shares from placing	12,749	269,552	-	-	-	282,301
Issuing expenses	-	(8,230)	-	-	-	(8,230)
Exchange Difference	-	-	-	1,261	-	1,261
Profit for the period	-	-	-	-	19,710	19,710
At 30 September 2007	<u>42,355</u>	<u>307,239</u>	<u>(1,628)</u>	<u>1,626</u>	<u>(33,379)</u>	<u>316,213</u>

**7. Segment Information**

An analysis of the Group's income and results for the nine months ended 30 September 2008 and 2007 is as follows:

*Business segments*

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

<b>As at the period ended</b> <b>30 September 2008</b>	<b>Continuing operations</b>			<b>Discontinued operation</b>	<b>Total</b> <i>HK\$'000</i>
	Plastic Woven Bags <i>HK\$'000</i>	Coal Trading <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Transportation technology <i>HK\$'000</i>	
<b>REVENUE</b>					
Results	228,747	10,104	238,851	–	238,851
Segment results	41,798	140	41,938	–	41,938
Unallocated corporate revenue			–	–	–
Unallocated corporate expense			(4,709)	–	(4,709)
Operation profit (excluding interest income/expenses)			37,229	–	37,229
Interest income			1,477	–	1,477
Interest expenses			–	–	–
Profit before taxation			38,706	–	38,706
<b>As at the period ended</b> <b>30 September 2007</b>	<b>Continuing operations</b>			<b>Discontinued operation</b>	<b>Total</b> <i>HK\$'000</i>
	Plastic Woven Bags <i>HK\$'000</i>	Coal Trading <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Transportation technology <i>HK\$'000</i>	
<b>REVENUE</b>					
Results	130,164	–	130,164	812	130,976
Segment results	22,178	–	22,178	(1,479)	20,699
Unallocated corporate revenue			–	–	–
Unallocated corporate expense			(2,776)	–	(2,776)
Operation profit (excluding interest income/expenses)			19,402	(1,479)	17,923
Interest income			1,950	–	1,950
Interest expenses			(163)	–	(163)
Profit before taxation			21,189	(1,479)	19,710

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Financial Review and Business Review

The Group achieved excellent results for the nine months ended 30 September 2008. The Group recorded a turnover of approximately HK\$239 million representing an increase of approximately 84% over the corresponding period in 2007. The Group generated an operating profit from continuing operation of approximately HK\$38.9 million compared with an operating profit approximately HK\$21.7 million for the nine months ended 30 September 2008. The coal business as reflected in the segmental information included pre-operating and excavation expenses for underground coal mines of a loss of approximately HK\$3.0 million and profit from the distribution of coal from open pit mines in the PRC of approximately HK\$3.14 million.

In view of the enormous market demand of coal and the profit margin on coal trading business, the Group is studying the feasibility of increasing the annual production capacity of the Jinyuanli underground coal mine from 1,200,000 tons to 2,000,000 tons. If such decision has been made, the Group and Yuan Yuan will contribute additional investment in the proportion of 56.2% and 43.8% towards the registered capital of Jinyuanli, additional equipment and machineries will be required together with the approval of the relevant regulatory authorities in the PRC.

In 31 August 2008, the Group completed the acquisition of 51% equity interest in Jilin De Feng Material Trading Company Limited ("De Feng") and De Feng is starting to contribute profit from sales of coal.

### Capital Structure and Material Acquisition

In August 2008, the Company completed the transaction through its indirectly wholly owned subsidiary (Kotan Resources (China) Limited ("KRL") 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, KRL and YYE will hold 51% and 49% equity interests in the registered capital of De Feng respectively.

During the nine months ended 30 September 2008, the short term bank loan of RMB7,000,000 is secured by Yicheng's plant and machinery, save as the above, the Group did not have any charges on its assets, and there were no changes in the Company's authorized share capital.

Save as the above transaction, there is no significant investment and material acquisition/disposal made during the report period.

## Prospects

Changchun Yicheng Packaging Company Limited (“Yicheng”) is the engine of our source of profit to the Group. Apart from the production and sales of small and big plastic woven bags, Yicheng starts to run trading business of plastic drums and the Group expects all of these business bring satisfactory results in the future.

The excavation of the underground coal mines is in progress and the Group is studying the feasibility of increasing the annual production capacity of the Jinyuanli underground coal mine from 1,200,000 tons to 2,000,000 tons.

The Group successfully acquired DeFeng at 31 August,2008 and is expecting DeFeng to contribute positively in the future by bringing satisfactory results of coal trading business to the Group.

Although there is the financial crisis in the world, there is no significant effect to the businesses of the Group. The Group has not made any over-the counter contingent forward transaction. The fluctuation of Renminbi in the period is not significant. All money is kept in the bank for fixed deposit. The Group will continue to seek out coal investment opportunities with the aim to bring satisfactory reward to the shareholder.

## 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 30 September 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 30 September 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 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 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 nine months ended 30 September 2008.

As at the period ended 30 September 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 30 September 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) (Note 1)	13.72%
Xu Bin	Beneficial Owner and Interest of spouse	50,960,000(L) (Note 3)	12.03%
Shao Ze Yun	Beneficial Owner and Interest of spouse	50,960,000 (L) (Note 3)	12.03%
Li Gui Yan	Beneficial Owner	35,100,000 (L) (Note 2)	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. Mr Xu Bin and Ms Shao Ze Yun is deemed to be interested in these shares by virtue of the fact that they are the spouse of each other.
4. The letter "L" denotes a long position in the shares.

Save as disclosed above, as at 30 September 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 30 September 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 nine month ended 30 September 2008, the audit committee comprises three members, Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Yu Yang. All of them are independent non-executor Director.

## **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 30 September 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 30 September, 2008.

## **CORPORATE GOVERNANCE**

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During the nine months ended 30 September, 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 nine months ended 30 September 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, 13 November 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