



LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

百齡國際(控股)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8017)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2009**

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of Long Success International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

HIGHLIGHTS

- Turnover of the Group for the three months ended 30 June 2009 was approximately HK\$1,170,000 as compared to HK\$5,589,000 for the corresponding period in 2008.
- Net loss attributable to shareholders for the three months ended 30 June 2009 was approximately HK\$2,276,000 as compared to HK\$65,000 for the corresponding period in 2008. The higher net loss attributable to the shareholders was mainly due to the non-cash cost associated with equity-settled share options and the decline in revenue.
- Loss per share for the Group was HK0.075 cent for the three months ended 30 June 2009 as compared to HK0.002 cent for the corresponding period in 2008.
- The Board of the Company does not declare any interim dividend for the three months ended 30 June 2009.

FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2009 together with the unaudited comparatives for the corresponding period in 2008 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Unaudited | |
|---|-------------|---------------------------|-----------------|
| | | Three months ended | |
| | | 30 June | |
| | | 2009 | 2008 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 4 | 1,170 | 5,589 |
| Other income | | 400 | 577 |
| Materials used and work performed and capitalized | | (260) | (690) |
| Staff costs | | (2,097) | (2,948) |
| Depreciation on property, plant and equipments | | (255) | (57) |
| Other expenses | | (1,137) | (2,164) |
| Finance costs | | (1) | (1) |
| | | <hr/> | <hr/> |
| (Loss)/Profit before tax | | (2,180) | 306 |
| Income tax expense | 5 | (50) | (207) |
| | | <hr/> | <hr/> |
| (Loss)/Profit for the period | | (2,230) | 99 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Attributable to: | | | |
| Equity holders of the parent | | (2,276) | (65) |
| Minority interests | | 46 | 164 |
| | | <hr/> | <hr/> |
| | | (2,230) | 99 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Loss per share attributable to ordinary equity holders of the parent | 6 | | |
| Basic (HK cent per share) | | (0.075) | (0.002) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Diluted (HK cent per share) | | N/A | N/A |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the three months ended 30 June 2009 have been prepared in accordance with the Hong Kong Accounting Standard No.34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company (the “Audit Committee”).

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group’s audited financial statements for the year ended 31 March 2009.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), amendments to Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2009. The adoption of these new HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

The Group has not early adopted the new HKFRSs, that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new HKFRSs will have no material impact on the results and financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group is organized into four major business segments: (i) sale and implementation of customised software and related computer equipment; (ii) provision of computer-related technical support and maintenance services; (iii) sharing of profits of a junket representative of a VIP lounge of a casino in Macau; and (iv) provision of money lending services. An analysis of the Group's turnover and segment profit/(loss) by business segments is as follows:

| | Unaudited Three months ended 30 June 2009 | | Unaudited Three months ended 30 June 2008 | |
|--|---|---|---|---|
| | Turnover <i>HK\$'000</i> | Segment Profit/(Loss) <i>HK\$'000</i> | Turnover <i>HK\$'000</i> | Segment Profit/(Loss) <i>HK\$'000</i> |
| Sale and implementary of customised software and related computer equipment | 746 | (355) | 4,110 | 730 |
| Provision of computer-related technical support and maintenance services income | 60 | 33 | 91 | (25) |
| Sharing of profits of a junket representative of a VIP lounge of a casino in Macau | 154 | 154 | 470 | 470 |
| Interest income from money lending business | 210 | 303 | 918 | 267 |
| | <u>1,170</u> | <u>135</u> | <u>5,589</u> | <u>1,442</u> |
| Unallocated income | | - | | 577 |
| Unallocated expense | | (2,314) | | (1,712) |
| Finance costs | | (1) | | (1) |
| (Loss)/Profit before tax | | (2,180) | | 306 |
| Income tax expense | | (50) | | (207) |
| (Loss)/Profit for the period | | <u>(2,230)</u> | | <u>99</u> |

| | Unaudited Three months ended 30 June 2009 Turnover HK\$'000 | Unaudited Three months ended 30 June 2008 Turnover HK\$'000 |
|-----------|--|--|
| Hong Kong | 791 | 4,938 |
| Macau | 154 | 470 |
| The PRC | 225 | 181 |
| | <hr/> 1,170 <hr/> | <hr/> 5,589 <hr/> |

5. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. LOSS PER SHARE

The calculation of the basic loss per share attributable to ordinary equity holders of the parent is based on the Group's loss attributable to equity holders of the parent for the three months ended 30 June 2009 of approximately HK\$2,276,000 (2008: HK\$65,000) and on the weighted average number of 3,037,155,632 (2008: 2,728,491,136) ordinary shares in issue during the period.

The basic and diluted loss per share are the same for the three months ended 30 June 2009 and 2008 respectively, as the Company recorded losses attributable to the equity holders of the parent and hence, the incremental shares from the assumed exercises of share options and warrants outstanding as at 30 June 2009 and 2008 are not included in calculating the diluted basic loss per share.

7. INTERIM DIVIDEND

The board of directors (the "Board") of the Company does not recommend the payment of interim dividend for the period (2008: Nil).

8. SHARE CAPITAL

| | Number of shares | | Amount | |
|--|--------------------|------------|--------------------|----------|
| | Three months ended | | Three months ended | |
| | 30 June | | 30 June | |
| | 2009 | 2008 | 2009 | 2008 |
| | '000 | '000 | HK\$'000 | HK\$'000 |
| Authorised | | | | |
| Ordinary shares of HK\$0.01 each (2008: HK\$0.01 each) | 10,000,000 | 10,000,000 | 100,000 | 100,000 |
| Issued and fully paid: | | | | |
| At beginning of period | 3,031,982 | 2,727,270 | 30,320 | 27,273 |
| Exercise of share options | 35,798 | – | 358 | – |
| Exercise of warrants | – | 1,307 | – | 13 |
| At end of period | 3,067,780 | 2,728,577 | 30,678 | 27,286 |

9. CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | | |
|---|--|----------------|----------------|------------------|----------------------|--------------------|----------------|--------------------|----------------|
| | Share capital | Share premium | Merger reserve | Exchange reserve | Share option reserve | Accumulated losses | Total | Minority interests | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2008 | 27,273 | 123,470 | (341) | (29) | 882 | (39,313) | 111,942 | 9,117 | 121,059 |
| Loss for the period | – | – | – | – | – | (65) | (65) | 164 | 99 |
| Issue of shares upon exercise of warrants | 13 | 59 | – | – | – | – | 72 | – | 72 |
| At 30 June 2008 | 27,286 | 123,529 | (341) | (29) | 882 | (39,378) | 111,949 | 9,281 | 121,230 |
| At 1 April 2009 | 30,320 | 140,499 | (341) | 156 | 11,003 | (76,917) | 104,720 | 318 | 105,038 |
| Loss for the period | – | – | – | – | – | (2,276) | (2,276) | 46 | (2,230) |
| Issue of shares upon exercise of share options | 358 | 2,185 | – | – | (918) | – | 1,625 | – | 1,625 |
| Equity-settled share-based payments | – | – | – | – | 982 | – | 982 | – | 982 |
| At 30 June 2009 | 30,678 | 142,684 | (341) | 156 | 11,067 | (79,193) | 105,051 | 364 | 105,415 |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the period under review, the Group faced challenges in view of the global recession, resulting in a disappointing performance of the IT consulting services and gaming and entertainment business in Macau. The gloomy economic outlook has posed pressure on the IT consulting services and there was a great cut back in such demand. In July 2008, the measures adopted by the Guangdong government to further tighten the individual visits to Macau under the individual visit scheme and the global financial meltdown drove down the VIP gaming revenue during the period under review.

Operating under such difficult economic conditions, the Group's revenue dropped by 79.07% to approximately HK\$1.17 million when compared to the corresponding period of last year (2008: HK\$5.59 million). Loss attributable to shareholders was HK\$2.28 million (2008: HK\$65,000). The higher net loss attributable to the shareholders was mainly due to the non-cash cost associated with equity-settled share options and the decline in revenue.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

(A) Very substantial acquisition

Referring to the announcements dated 12 February 2009 and 31 March 2009 respectively, and the circular dated 14 May 2009 ("Circular"), the Board entered into an acquisition agreement ("Acquisition Agreement") whereby the Board proposed to acquire the entire equity interest in Mega Bright Investment Development Limited ("Mega Bright") (which holds 51% equity interest in Jining Gangning Paper Co, Ltd. ("Jining Gangning"), in Shandong Province in the People's Republic of China ("PRC")) at a consideration of HK\$190 million (the "Consideration", subject to adjustments). The payment of the Consideration is to be satisfied by (i) cash of HK\$103.5 million by two (2) installments; (ii) the issuance of convertible bonds by the Company in the aggregate principal amount of HK\$40 million convertible into 333,333,333 shares of HK\$0.01 each ("Convertible Bonds"), and (iii) the issuance of promissory notes in the principal sum of HK\$46.5 million by the Company. According to the Acquisition Agreement, the vendor shall provide profit guarantees of not less than RMB60 million profit after tax on Jining Gangning for each of the two years ended 31 December 2010 and 31 December 2011. Jining Gangning is engaged in the manufacture and sale of various types of kraft paper. Its production facilities comprise 2-paper production lines, a stock or pulp preparation section for making paper products, a waste water treatment plant, various plant utilities, and laboratory, office and material handling equipment. Jining Gangning has a factory complex which comprises two parcels of adjoining land of approximately 82,667 square meters with 31 various major buildings and structures erected thereon. According to the valuation reports as set out in the Circular, the market values of plant and machinery and property were approximately RMB112 million and RMB55 million as at 30 April 2009 respectively. Details of the acquisition are set out in the Company's

announcements dated 12 February 2009 and 31 March 2009 respectively, and the Circular. On 3 June 2009, the shareholders of the Company at the special general meeting approved the Acquisition Agreement and the transactions contemplated thereunder. The completion of acquisition of Mega Bright took place on 1 July 2009.

(B) *Issue of redeemable convertible note*

Referring to the announcement dated 19 June 2009, the Company entered into a subscription agreement with the subscriber to subscribe for the redeemable convertible note in the principal amount of HK\$15,000,000 with 36% interest rate per annum and due one year from the date of issue at the initial conversion price of HK\$0.13 per conversion share (“Redeemable Convertible Note”). Assuming full conversion of the Redeemable Convertible Note at the initial conversion price, the Redeemable Convertible Note will be convertible into 115,384,615 shares of HK\$0.01 each. Details of the issue of Convertible Redeemable Note are set out in the Company’s announcement dated 19 June 2009. The Redeemable Convertible Note was issued to the subscriber on 13 July 2009.

(C) *Proposed share consolidation and change of board lot size*

Referring to the announcement dated 3 July 2009 and the circular dated 13 July 2009, the Board proposed to implement a share consolidation on the basis that every four issued and unissued shares of HK\$0.01 each in the share capital of the Company will be consolidated into one consolidated share of HK\$0.04 each (“Share Consolidation”). The Board also proposed to change the board lot size for trading in the shares from 4,000 shares to 10,000 consolidated shares upon the Share Consolidation becoming effective. Details of the Share Consolidation and change of board lot size are set out in the Company’s announcement dated 3 July 2009 and the circular dated 13 July 2009. On 11 August 2009, the shareholders of the Company at the annual general meeting approved the Share Consolidation and change of board lot size. The Share Consolidation and change of board lot size became effective on 12 August 2009. The respective conversion prices of the Convertible Bonds (which are yet to be issued) and the Redeemable Convertible Note shall be adjusted by virtue of the Share Consolidation, details of which are set out in the announcement dated 11 August 2009.

PROSPECTS

In view of the difficult operation environment for the IT consulting services and gaming and entertainment business in Macau, the Group intends to de-emphasize these two businesses in the future. Looking ahead, the Group discerns that the Chinese economy has been amongst the most resilient in the global economic downturn. The mainland government's economic stimulus packages to boost domestic consumption and the economic stamina of the country are advantages to the development of the Group's paper manufacturing business in China. With the completion of acquisition of Mega Bright on 1 July 2009, the Board believes that the paper manufacturing business will be the core business of the Group and will bring a higher return to the shareholders in the future.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was approved and adopted by the shareholders of the Company at the annual general meeting held on 21 August 2006. Under the Scheme, the directors of the Company are authorised to grant options to the participants of the Group including any employee, director, adviser, consultant, licensor, distributor, supplier, agent, customer, joint venture partner, strategic partner and services provider to or of any member of the Group whom the Board considers in its sole discretion to subscribe for the shares of the Company. A summary of the movement of the share options for the three months ended 30 June 2009 is as follows:

| Grantee | At 1 April 2009 | Granted during the period | Exercised during the period | Lapsed during the period | At 30 June 2009 | Date of grant (dd/mm/yy) | Exercise period (dd/mm/yy) | Exercise price (HK\$) |
|-------------------------------|---------------------------|---------------------------------|-----------------------------------|--------------------------------|---------------------------|--------------------------------|-------------------------------|-----------------------------|
| Directors | | | | | | | | |
| Ng Kwok Chu, Winfield | 1,000,000 | – | – | – | 1,000,000 | 20/02/08 | 20/02/08 to 19/02/18 | 0.061 |
| | 1,000,000 | – | – | – | 1,000,000 | 02/05/08 | 02/05/08 to 01/05/18 | 0.049 |
| Ng Chau Tung, Robert | 1,000,000 | – | – | – | 1,000,000 | 20/02/08 | 20/02/08 to 19/02/18 | 0.061 |
| | 1,000,000 | – | – | – | 1,000,000 | 02/05/08 | 02/05/08 to 01/05/18 | 0.049 |
| Wong Kam Leong | 27,000,000 | – | – | – | 27,000,000 | 09/05/08 | 09/05/08 to 08/05/18 | 0.048 |
| | – | 3,000,000 | – | – | 3,000,000 | 18/05/09 | 18/05/09 to 17/05/19 | 0.042 |
| Li Jie Yi | 27,000,000 | – | – | – | 27,000,000 | 09/05/08 | 09/05/08 to 08/05/18 | 0.048 |
| | – | 3,000,000 | – | – | 3,000,000 | 18/05/09 | 18/05/09 to 17/05/19 | 0.042 |
| Yip Wai Ki | – | 3,000,000 | – | – | 3,000,000 | 18/05/09 | 18/05/09 to 17/05/19 | 0.042 |
| Cheng Tze Kit, Larry | 4,800,000 | – | 4,800,000 | – | – | 07/07/08 | 07/07/08 to 06/07/18 | 0.036 |
| Sub-total | <u>62,800,000</u> | <u>9,000,000</u> | <u>4,800,000</u> | <u>–</u> | <u>67,000,000</u> | | | |
| Employees | | | | | | | | |
| In aggregate | 14,000,000 | – | – | – | 14,000,000 | 20/02/08 | 20/02/08 to 19/02/18 | 0.061 |
| In aggregate | 2,000,000 | – | – | – | 2,000,000 | 22/02/08 | 22/02/08 to 21/02/18 | 0.062 |
| In aggregate | 18,000,000 | – | – | – | 18,000,000 | 02/05/08 | 02/05/08 to 1/05/18 | 0.049 |
| In aggregate | 50,000,000 | – | 24,997,972 | 25,000,000 | 2,028 | 09/05/08 | 09/05/08 to 08/05/18 | 0.048 |
| In aggregate | – | 34,000,000 | 6,000,000 | – | 28,000,000 | 18/05/09 | 18/05/08 to 17/05/19 | 0.042 |
| Sub-total | <u>84,000,000</u> | <u>34,000,000</u> | <u>30,997,972</u> | <u>25,000,000</u> | <u>62,002,028</u> | | | |
| Other Eligible Persons | | | | | | | | |
| In aggregate | 100,000,000 | – | – | – | 100,000,000 | 09/05/08 | 09/05/08 to 08/05/18 | 0.048 |
| In aggregate | 106,000,000 | – | – | – | 106,000,000 | 17/09/08 | 17/09/08 to 16/09/18 | 0.0506 |
| In aggregate | 26,000,000 | – | – | – | 26,000,000 | 31/12/08 | 31/12/08 to 30/12/18 | 0.035 |
| Sub-total | <u>232,000,000</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>232,000,000</u> | | | |
| Total | <u>378,800,000</u> | <u>43,000,000</u> | <u>35,797,972</u> | <u>25,000,000</u> | <u>361,002,028</u> | | | |

DIRECTORS

The directors of the Company during the period and up to the date of this report were:

Executive directors

Mr. Wong Kam Leong

Ms. Li Jie Yi

Mr. Yip Wai Ki

Independent non-executive directors

Mr. Ng Kwok Chu, Winfield

Mr. Ng Chau Tung, Robert

Mr. Cheng Tze Kit, Larry

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 June 2009, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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:

Long positions in shares of the Company:

| Name | Type of interest | Number of ordinary shares of the Company | Number of underlying shares of the Company | Aggregate long positions in shares of the Company | Percentage of Shareholding |
|--------------------------|--------------------|--|--|---|----------------------------|
| Directors | | | | | |
| Wong Kam Leong | Corporate Interest | 852,500,000 <i>(Note 1)</i> | – | – | – |
| | Personal Interest | – | 30,000,000 <i>(Note 2)</i> | 882,500,000 | 28.77% |
| Li Jie Yi | Personal Interest | – | 30,000,000 <i>(Note 2)</i> | 30,000,000 | 0.98% |
| Yip Wai Ki | Personal Interest | 10,000,000 | 3,000,000 <i>(Note 3)</i> | 13,000,000 | 0.42% |
| Ng Kwok Chu, Winfield | Personal Interest | – | 2,000,000 <i>(Note 4)</i> | 2,000,000 | 0.07% |
| Ng Chau Tung, Robert | Personal Interest | – | 2,000,000 <i>(Note 4)</i> | 2,000,000 | 0.07% |

Notes:

1. The 852,500,000 shares in the Company are beneficially owned by and registered in the name of Wide Fine International Limited (“Wide Fine”), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Wong Kam Leong.
2. As at 30 June 2009, the named director held 30,000,000 share options conferring rights to subscribe for 30,000,000 shares.
3. As at 30 June 2009, the named director held 3,000,000 share options conferring rights to subscribe for 3,000,000 shares.
4. As at 30 June 2009, the named director held 2,000,000 share options conferring rights to subscribe for 2,000,000 shares.

Save as disclosed above, as at 30 June 2009, none of the directors and the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 June 2009, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Long positions in shares of the Company:

| Name | Number of ordinary shares held | Number of underlying shares held | Aggregate long positions in shares of the Company | Percentage of shareholding |
|---|---------------------------------------|---|--|-----------------------------------|
| Wide Fine International Limited (<i>Note 1</i>) | 852,500,000 | – | 852,500,000 | 27.79% |
| Tong Jian (<i>Note 2</i>) | 54,220,000 | 115,384,615 | 169,604,615 | 5.53% |

Notes:

- Wide Fine International Limited is beneficially and wholly owned by Mr. Wong Kam Leong, an executive director.
- On 19 June 2009, Tong Jian ("Mr. Tong") entered into a subscription agreement with the Company to subscribe for the Redeemable Convertible Note in the principal amount of HK\$15,000,000 with 36% interest rate per annum and due one year from the date of issue at the initial conversion price of HK\$0.13 per conversion share. Assuming full conversion of the Redeemable Convertible Note at the conversion price, the Redeemable Convertible Note will be convertible into 115,384,615 shares of HK\$0.01 each. The Redeemable Convertible Note was issued to Mr. Tong on 13 July 2009.

Save as disclosed above, as at 30 June 2009, the Company had not been notified of any other person (other than a director or the chief executive of the Company) having an interest or short position in the shares and underlying shares of the Company that was required to be reported pursuant to section 336 of the SFO.

COMPETING INTERESTS

As at 30 June 2009, the directors of the Company were not aware of any business or interest of each director, management shareholder and the respective associates of which that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (“GC Code”) contained in Appendix 15 of the GEM Listing Rules throughout the period, except Mr. Wong Kam Leong was both the chairman and chief executive director of the Company. Such practice deviates from the provision A.2.1 of the GC Code which requires that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Board has discussed and concluded that the current practice of having the position of the chairman and the chief executive officer being held by the same individual is fair and reasonable and does not intend to change the current practice at the moment.

AUDIT COMMITTEE

In compliance with Rules 5.28 and 5.33 of the GEM Listing Rules, the Company has established an audit committee comprising of independent non-executive directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert and Mr. Cheng Tze Kit, Larry. The Group’s unaudited results for the three months ended 30 June 2009 have been reviewed by the audit committee. Members of the committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the three months ended 30 June 2009, the Company has complied with Rule 5.34 of the GEM Listing Rules concerning board practices and procedures.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 30 June 2009, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions on terms no less exacting than the required standards of dealings regarding securities transactions by directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the directors of the Company, all the directors confirmed that they have complied with the code of conduct and the required standard of dealings throughout the period under review.

On behalf of the Board

Wong Kam Leong

Chairman

14 August 2009, Hong Kong

As at the date hereof, the executive directors are Mr. Wong Kam Leong, Ms. Li Jie Yi and Mr. Yip Wai Ki, and the independent non-executive directors are Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert and Mr. Cheng Tze Kit, Larry.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company's website at www.long-success.com.