

• Interim Report 2006/07 •

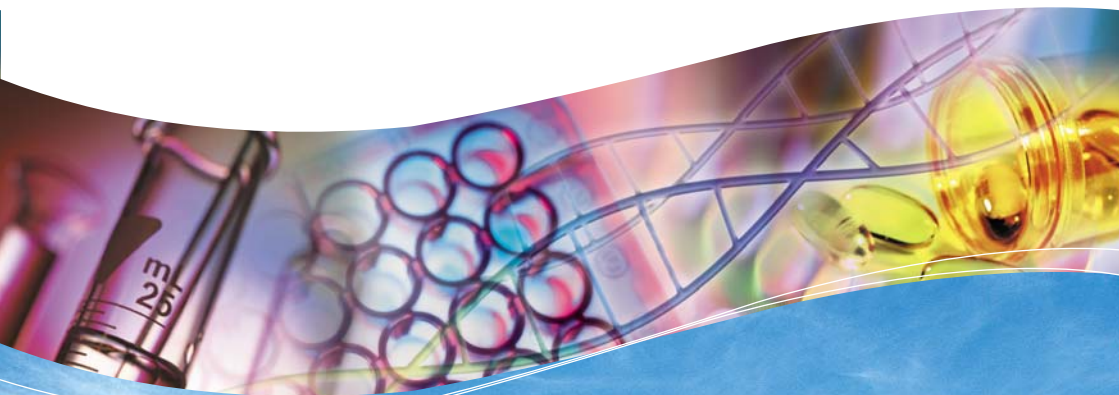
朗力福®

Longlife Group Holdings Limited

朗力福集團控股有限公司

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

Stock Code : 8037



Biotechnology  
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## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the 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.**

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

*This report for which the directors (the “Directors”) of Longlife Group 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.*

## CONDENSED CONSOLIDATED INCOME STATEMENT

The board of directors (the "Board") of Longlife Group Holdings Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 31 March 2007 together with the comparative unaudited figures for the corresponding periods in 2006, prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The unaudited results have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

	Notes	(Unaudited) Three months ended 31 March 2007		(Unaudited) Six months ended 31 March 2007	
		HK\$'000	2006 HK\$'000	HK\$'000	2006 HK\$'000
Revenue	2	<b>80,129</b>	71,156	<b>142,739</b>	130,352
Cost of sales		<b>(28,239)</b>	(23,969)	<b>(50,382)</b>	(41,954)
Gross profit		<b>51,890</b>	47,187	<b>92,357</b>	88,398
Other income		<b>220</b>	208	<b>352</b>	859
Administrative expenses		<b>(12,526)</b>	(5,631)	<b>(18,971)</b>	(10,090)
Selling and distribution expenses		<b>(32,478)</b>	(26,544)	<b>(66,308)</b>	(52,292)
Other expenses		<b>(91)</b>	(42)	<b>(121)</b>	(78)
Profit from operations	3	<b>7,015</b>	15,178	<b>7,309</b>	26,797
Finance costs	4	<b>(622)</b>	67	<b>(1,012)</b>	(356)
Profit before tax		<b>6,393</b>	15,245	<b>6,297</b>	26,441
Income tax credit/(expense)	5	<b>(317)</b>	(501)	<b>(2,757)</b>	769
Net profit from ordinary activities		<b>6,076</b>	14,744	<b>3,540</b>	27,210
Attributable to:					
Equity holders of the Company		<b>6,770</b>	14,744	<b>4,252</b>	27,210
Minority interests		<b>(694)</b>	–	<b>(712)</b>	–
		<b>6,076</b>	14,744	<b>3,540</b>	27,210
Dividends	6	–	–	–	–
Earnings per share	7				
– Basic		<b>1.35 cents</b>	2.95 cents	<b>0.85 cents</b>	5.44 cents
– Diluted		<b>N/A</b>	2.94 cents	<b>N/A</b>	5.41 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 31 March 2007 HK\$'000	(Audited) As at 30 September 2006 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		50,397	47,545
Prepaid lease payments		14,504	14,360
Deposit paid for acquisition of property, plant and equipment		681	671
Goodwill		5,525	5,525
		<u>71,107</u>	<u>68,101</u>
CURRENT ASSETS			
Inventories		102,500	91,483
Trade receivables	8	73,563	56,600
Prepayments and other receivables		15,299	15,962
Prepaid lease payments		498	315
Tax recoverable		–	452
Pledged bank deposits		5,686	5,132
Bank balances and cash		16,802	28,760
		<u>214,348</u>	<u>198,704</u>
CURRENT LIABILITIES			
Trade payables	9	40,980	28,311
Other payables and accruals		35,940	38,977
Bank borrowings		18,700	5,909
Amounts due to a minority shareholder		316	311
Amount due to a director	10	678	543
Tax payable		727	318
		<u>97,341</u>	<u>74,369</u>
NET CURRENT ASSETS		<u>117,007</u>	<u>124,335</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>188,114</u>	<u>192,436</u>

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>31 March</b>	30 September
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
<hr/>		
EQUITY/CAPITAL AND RESERVES		
Share capital	<b>50,000</b>	50,000
Reserves	<b>128,780</b>	121,568
	<hr/>	<hr/>
Equity attributed to equity holders of the Company	<b>178,780</b>	171,568
Minority interests	<b>4,834</b>	5,406
	<hr/>	<hr/>
TOTAL EQUITY	<b>183,614</b>	176,974
NON-CURRENT LIABILITY		
Bank borrowings	<b>4,500</b>	15,462
	<hr/>	<hr/>
	<b>188,114</b>	192,436
	<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Statutory surplus reserve fund	Statutory enterprise expansion fund	Exchange reserve	Accumulated profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2005 (Audited)	50,000	8,145	22,443	–	–	–	83,373	163,961	–	163,961
Exchange differences arising on translation of foreign operations (Unaudited)	–	–	–	–	–	3,199	–	3,199	–	3,199
Profit for the period (Unaudited)	–	–	–	–	–	–	27,210	27,210	5,433	32,643
At 31 March 2006 (Unaudited)	<u>50,000</u>	<u>8,145</u>	<u>22,443</u>	<u>–</u>	<u>–</u>	<u>3,199</u>	<u>110,583</u>	<u>194,370</u>	<u>5,433</u>	<u>199,803</u>
At 1 October 2006 (Audited)	50,000	8,145	22,443	3,098	3,098	6,968	77,816	171,568	5,406	176,974
Exchange differences arising on translation of foreign operations (Unaudited)	–	–	–	–	–	2,960	–	2,960	140	3,100
Profit for the period (Unaudited)	–	–	–	–	–	–	4,252	4,252	(712)	3,540
At 31 March 2007 (Unaudited)	<u>50,000</u>	<u>8,145</u>	<u>22,443</u>	<u>3,098</u>	<u>3,098</u>	<u>9,928</u>	<u>82,068</u>	<u>178,780</u>	<u>4,834</u>	<u>183,614</u>

Notes:

1. Special reserve represents the difference between the paid-up capital and share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.
2. Pursuant to Articles of Association of Suzhou Longlifu Health Food Co. Ltd. ("Suzhou Longlifu") which became effective on 16 February 2003, the management of Suzhou Longlifu could transfer the net profit to the statutory surplus reserve fund on a discretionary basis.

The statutory surplus reserve fund can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of Suzhou Longlifu.

3. Pursuant to Suzhou Longlifu's Articles of Association which became effective on 16 February 2003, the management of Suzhou Longlifu could transfer the net profit to the statutory enterprise expansion fund on a discretionary basis.

The statutory enterprise expansion fund can be used to expand the capital of Suzhou Longlifu by means of capitalisation.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NET CASH OUTFLOW FROM</b>		
<b>OPERATING ACTIVITIES</b>	<b>(9,586)</b>	(6,638)
<b>NET CASH OUTFLOW FROM</b>		
<b>INVESTING ACTIVITIES</b>	<b>(5,471)</b>	(7,491)
<b>NET CASH INFLOW FROM</b>		
<b>FINANCING ACTIVITIES</b>	<b>952</b>	507
<b>DECREASE IN CASH AND</b>		
<b>CASH EQUIVALENTS</b>	<b>(14,105)</b>	(13,622)
Cash and cash equivalents		
at beginning of period	<b>28,760</b>	36,446
Effect of foreign exchange rate changes	<b>2,147</b>	3,199
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT END OF PERIOD</b>	<b>16,802</b>	26,023

Notes:

## **1. Basis of preparation**

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003.

The shares of the Company were successfully listed on the GEM of the Exchange on 17 June 2004. The unaudited condensed consolidated financial statements are prepared in Hong Kong dollars because it is considered to provide more useful information to the equity holders of the Company. The functional currency of the major subsidiaries of the Group is Renminbi.

The unaudited condensed financial statements results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRS"), which is a collective term of Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's audited financial statements set out in the annual report for the year ended 30 September 2006 except as follows. The unaudited condensed financial statements have been prepared under the historical cost basis, as explained in the accounting policies set out in the annual report for the year ended 30 September 2006.

In 2006, the Group has applied for the first time a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 to 1 June 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior year adjustment was required.

The Group has not applied the following new HKFRSs that have been issued but are not yet completely effective. The Directors are still assessing the effects on that the application of these new HKFRSs.

HKAS 1 (Amendment)	Capital Disclosure ( <i>note 1</i> )
HKFRS 7	Financial Instrument: Disclosures ( <i>note 1</i> )
HKFRS 8	Operating Segments ( <i>note 2</i> )
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ( <i>note 3</i> )
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ( <i>note 4</i> )
HK(IFRIC) – Int 12	Service Concession Arrangements ( <i>note 5</i> )

*Notes:*

- 1 Effective for annual periods beginning on or after 1 January 2007.*
- 2 Effective for annual periods beginning on or after 1 January 2009.*
- 3 Effective for annual periods beginning on or after 1 November 2006.*
- 4 Effective for annual periods beginning on or after 1 March 2007.*
- 5 Effective for annual periods beginning on or after 1 January 2008.*

## 2. Revenue

Revenue, which is also the Group's turnover, represents the net amounts received and receivable from sales of consumer cosmetic, health related products, capsules products and health supplement wine less sales tax and discounts, if any, during the periods. The Group is mainly operates in the People's Republic of China (the "PRC"). In addition, the identifiable assets of the Group are located in the PRC. Accordingly, no analysis by geographical area of operations are presented.

### Income Statement

	Manufacturing and sales of consumer cosmetic (Unaudited)		Manufacturing and sales of health related products (Unaudited)		Manufacturing and sales of capsules products (Unaudited)		Manufacturing and sales of health supplement wine (Unaudited)		Consolidated (Unaudited)	
	Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>89,087</u>	<u>86,063</u>	<u>42,357</u>	<u>44,289</u>	<u>2,779</u>	<u>–</u>	<u>8,516</u>	<u>–</u>	<u>142,739</u>	<u>130,352</u>
Segment results	<u>12,228</u>	<u>20,619</u>	<u>(1,314)</u>	<u>7,326</u>	<u>(1,593)</u>	<u>–</u>	<u>682</u>	<u>–</u>	<u>10,003</u>	<u>27,945</u>
Other income									352	859
Unallocated corporate expenses									(3,046)	(2,007)
Finance costs									<u>(1,012)</u>	<u>(356)</u>
Profit before tax									6,297	26,441
Income tax credit/ (expense)									<u>(2,757)</u>	<u>769</u>
Net profit from ordinary activities									<u>3,540</u>	<u>27,210</u>

## Balance sheet

	Manufacturing and sales of consumer cosmetic		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Consolidated	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	31 March	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March	30 September
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets:										
Segment assets	51,061	56,771	186,026	162,388	28,281	27,049	18,280	18,332	283,648	264,540
Unallocated corporate assets									1,807	2,265
Total assets									285,455	266,805
Liabilities:										
Segment liabilities	28,554	23,159	32,166	36,965	16,187	6,456	296	629	77,203	67,209
Unallocated corporate liabilities									24,638	22,622
									101,841	89,831

## Other information

	Manufacturing and sales of consumer cosmetic (Unaudited)		Manufacturing and sales of health related products (Unaudited)		Manufacturing and sales of capsules products (Unaudited)		Manufacturing and sales of health supplement wine (Unaudited)		Consolidated (Unaudited)	
	Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditures	130	5	345	99	3,774	–	–	–	4,249	104
Depreciation/ amortisation	58	49	1,790	1,456	571	–	286	–	2,705	1,505
	Manufacturing and sales of consumer cosmetic		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Consolidated	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	31 March	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March	30 September
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Goodwill on acquisition	5,525	5,525	–	–	–	–	–	–	5,525	5,525

### 3. Profit from operations

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31 March		31 March	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit from operations has been arrived				
at after charging:				
Cost of goods sold	28,239	23,969	50,382	41,954
Depreciation/amortisation	1,314	752	2,705	1,505

### 4. Finance costs

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31 March		31 March	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
Bank loans wholly repayable within five years	622	100	1,012	356
Adjustment of over-provision of interest	–	(167)	–	–
	622	(67)	1,012	356

## 5. Income tax expenses

	(Unaudited) Three months ended 31 March 2007		(Unaudited) Six months ended 31 March 2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax charge comprises:				
Hong Kong Profits Tax	–	6	–	6
Tax in other regions of the PRC (Outside Hong Kong)				
Charge	317	1,701	2,757	1,701
Refund	–	(1,206)	–	(2,476)
	<u>317</u>	<u>501</u>	<u>2,757</u>	<u>(769)</u>

Pursuant to the relevant laws and regulations in the PRC, Suzhou Longlifu and Suzhou Beautiful Biochemistry Co., Ltd. ("Suzhou Beautiful") were entitled to the exemptions from the PRC Foreign Enterprise Income Tax ("FEIT") for two years starting from first profit-making year, followed by a 50% tax relief for the next three years. The first profit-making year of Suzhou Longlifu commenced on 1 January 2001 and Suzhou Longlifu was entitled to a 50% reduction from FEIT commenced on 1 January 2003. Starting from 1 January 2006, full tax is payable. Suzhou Beautiful obtained confirmation from the relevant tax authority for commencing its first profit-making year from 1 January 2004 and it was entitled a 50% reduction from FEIT commenced on 1 January 2006.

The income tax refund including (i) the portion of FEIT paid and refunded by the State Tax Bureau, Xiangcheng District, Suzhou City, the PRC due to a subsidiary in the Group re-investing its profit made in 2003; and (ii) refund of Enterprise Income Tax for 2005 paid by Suzhou Longlifu.

The charge for the periods can be reconciled to the profit before tax per the income statement as follows:

	<b>(Unaudited)</b>				<b>(Unaudited)</b>			
	<b>Three months ended</b>				<b>Six months ended</b>			
	<b>31 March</b>				<b>31 March</b>			
	<b>2007</b>		2006		<b>2007</b>		2006	
	<b>HK\$'000</b>		HK\$'000		<b>HK\$'000</b>		HK\$'000	
Profit before tax	<b>6,393</b>		15,245		<b>6,297</b>		26,441	
	<b>HK\$'000</b>	<b>%</b>	HK\$'000	<b>%</b>	<b>HK\$'000</b>	<b>%</b>	HK\$'000	<b>%</b>
Tax at domestic statutory								
tax rate of 24% (2006: 24%)	<b>1,534</b>	<b>24</b>	3,659	24	<b>1,511</b>	<b>24</b>	6,345	24
Non-deductible items	<b>(900)</b>	<b>(14)</b>	–	–	<b>(877)</b>	<b>(14)</b>	–	–
Income tax on concessionary rates	<b>(317)</b>	<b>(5)</b>	(1,952)	(13)	<b>2,123</b>	<b>34</b>	(4,638)	(18)
Tax charged								
for the period	<b>317</b>	<b>5</b>	1,707	11	<b>2,757</b>	<b>44</b>	1,707	6

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

## 6. Dividends

The Board did not recommend the payment of any interim dividend for the periods ended 31 March 2007 (periods ended 31 March 2006: nil) and proposed that the profit to be retained.

## 7. Earnings per share

### ***Basic earnings per share***

The calculations of basic earnings per share for the three months and six months ended 31 March 2007 are based on the unaudited consolidated net profit from ordinary activities attributable to equity holders of the Company for the periods of approximately HK\$6,770,000 and HK\$4,252,000, respectively and on 500,000,000 ordinary shares that have been in issue throughout the periods.

The calculations of basic earnings per share for the three months and six months ended 31 March 2006 are based on the unaudited consolidated net profit from ordinary activities attributable to equity holders of the Company for the periods of approximately HK\$14,744,000 and HK\$27,210,000, respectively and on 500,000,000 ordinary shares that have been in issue throughout the periods.

### ***Diluted earnings per share***

The calculations of diluted earnings per share is not presented for the three months and six months ended 31 March 2007 as the share options which were lapsed in December 2006, had an anti-dilutive effect on the basic earnings per share.

The calculations of diluted earnings per share for the three months and six months ended 31 March 2006 are based on the unaudited consolidated net profit from ordinary activities attributable to equity holders of the Company of approximately HK\$14,744,000 and HK\$27,210,000, respectively on adjusted number of share of approximately 501,701,867 and 503,142,489 ordinary shares that have been in issue throughout the periods on the assumption that the 50,000,000 share options have been exercised on 1 October 2005.

## 8. Trade receivables

The Group has a policy of allowing an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet dates:

	(Unaudited) 31 March 2007 HK\$'000	(Audited) 30 September 2006 HK\$'000
0 – 90 days	59,337	41,123
91 – 180 days	13,472	8,213
181 – 360 days	1,388	6,934
Over 360 days	4,778	2,334
	<b>78,975</b>	58,604
Less: Allowances for doubtful debts	<b>(5,412)</b>	(2,004)
	<b>73,563</b>	56,600

The directors consider that the fair value of the trade receivables approximates to its carrying amount.

## 9. Trade payables

The following is an aged analysis of trade payables at the balance sheet dates:

	(Unaudited) 31 March 2007 HK\$'000	(Audited) 30 September 2006 HK\$'000
0 – 90 days	36,476	24,608
91 – 180 days	3,613	2,272
181 – 360 days	251	350
Over 360 days	640	1,081
	<b>40,980</b>	28,311

The directors consider that the fair value of the trade payables approximates to its carrying amount.

## 10. Amount due to a director

The amount is unsecured, interest free and is repayable on demand. The directors consider that fair value of the amount due to a director approximates to its carrying amount.

## 11. Operating lease commitments

As a lessee, as at the respective balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of offices and warehouses premises which fall due as follows:

	(Unaudited) 31 March 2007 HK\$'000	(Audited) 30 September 2006 HK\$'000
Within one year	578	807
In the second to fifth year inclusive	103	258
	<u>681</u>	<u>1,065</u>

Leases are negotiated and rentals are fixed for terms of 6 months to 5 years.

## 12. Capital commitments

	(Unaudited) 31 March 2007 HK\$'000	(Audited) 30 September 2006 HK\$'000
Capital expenditures contracted for but not provided in the financial statements in respect of the acquisition of:		
property, plant and equipment	4,320	4,320
construction in progress	1,749	1,749
prepaid lease payments	281	281
	<u>6,350</u>	<u>6,350</u>

### 13. Pledge of assets

At 31 March 2007, the Group's credit facilities are supported by the followings:

- (a) certain of the Group's prepaid lease payments and property, plant and equipment;
- (b) the Group's pledged bank deposits;
- (c) guarantee from Mr. Yang Hong Gen, a substantial shareholder of the Company in respect of loans of approximately RMB10 million due in March 2008; and
- (d) guarantee from independent third parties.

### 14. Major and connected transactions

The Company made an announcement on 8 December 2006 (the "Announcement") to disclose a series of discloseable and connected transaction which constitute a major transaction.

The transactions include:

- (1) subsequent to the formation of the Zhejiang Xinda Zhongshan Capsules Company Limited ("JV Company") between Wallfaith Company Limited ("Wallfaith"), a wholly-owned subsidiary of the Company and Zhejiang Zhongshan Capsules Company Limited (the "JV Partner") (the announcement dated 29 September 2005 and the circular dated 20 October 2005), on 18 November 2005, Wallfaith and the JV Partner entered into a supplemental agreement to the Joint Venture Agreement ("JV Agreement"), whereby it was agreed that the original mode of injection of the portion of the JV Company's registered capital attributable to the JV Partner would be changed from the injection of certain land use rights, machineries and equipment having an aggregate value of US\$700,000 (equivalent to approximately HK\$5,460,000) to the injection of cash (in RMB) equivalent to US\$700,000, followed by the JV Company's application of such cash to acquire the said assets from the JV Partner pursuant to the Sales and Purchases Agreement ("SP Agreement");
- (2) on 29 March 2006, a total sum of US\$1,100,000 (equivalent to approximately HK\$8,580,000) was advanced in RMB (the "Advance") by the JV Company to the JV Partner, as deposit for the JV Partner's production of capsule products for the Group pursuant to certain sub-contracting agreement ("Sub-contracting Agreement") made between the JV Company and the JV Partner; and

- (3) on 30 September 2006, the JV Company acquired certain inventories, plants and equipment, accounts receivable and accounts payable from the JV Partner ("Acquisition Agreement") at a total consideration of US\$1,056,000 (equivalent to approximately to HK\$8,236,000) which was determined by reference to the net asset value of such assets and liabilities.

Since (i) the SP Agreement, the Advance under the Sub-contracting Agreement and the Acquisition Agreement were entered into by the JV Company within a 12-month period; (ii) the parties to such agreements are the same; and (iii) the Advance is a transaction under Chapter 19 of the GEM Listing Rules, under Rule 19.22 of the GEM Listing Rules, the aggregated transactions ("Aggregated Transactions") are treated as if they had been one transaction.

The Aggregated Transactions together constitute a major transaction for the Company under Rule 19.06 of the GEM Listing Rules, as the consideration ratios (as prescribed under Chapter 19 of the GEM Listing Rules) relating to the Aggregated Transactions are more than 25% but less than 75%.

As the JV Partner is a substantial shareholder of the JV Company which is a subsidiary of the Company, for the reasons stated above in relation to the aggregation of Aggregated Transactions to constitute a major transaction, under Rule 20.25 of the GEM Listing Rules, the Aggregated Transactions are treated as if they had been one connected transaction. A total of approximately US\$1.8 million (equivalent to approximately HK\$14,040,000) was paid by the JV Company to the JV Partner for the settlement of consideration of the SP Agreement and the Acquisition Agreement under the Aggregated Transactions. The Advance was repayable and repaid by the JV Partner. As the applicable percentage ratios (as prescribed under Chapter 19 of the GEM Listing Rules) for the Aggregated Transactions is greater than 2.5% and the total considerations under the Aggregated Transactions are greater than HK\$10,000,000, the Aggregated Transactions constitute a non-exempted connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to reporting, disclosure and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Directors (including the independent non-executive Directors) are of the view that the Aggregated Transactions are fair and reasonable and on normal commercial terms and in the interest of the Company and the Company's shareholders as a whole for the reasons set out in the announcement.

An Extraordinary General Meeting ("EGM"), at which the voting on resolutions has been taken by way of poll, was convened and held for the purpose of considering and, if thought fit, approving and ratifying (i) the SP Agreement; (ii) the Advance under the Sub-contracting Agreement; and (iii) the Acquisition Agreement. All resolutions have been passed in the EGM.

## **BUSINESS REVIEW**

### **Revenue**

Revenue represents the net amount of sales of consumer products less sales tax and discount, if applicable.

For the six months ended 31 March 2007, the overall turnover of the Group surged from approximately HK\$130.4 million to approximately HK\$142.7 million, which represented 9.4% increment over the corresponding period last year. Turnover for the three months ended 31 March 2007 also increased from approximately HK\$71.2 million for the second quarter of 2006 to approximately HK\$80.1 million for the second quarter of 2007, representing an increase of 12.5%. The boost in the results was attributable to the increase in sales of daily cosmetic products and the additional sales contribution from the newly acquired capsule business as well as the overall more aggressive pricing policy which we have adopted during the past six months.

### **Gross Profit**

The Group's gross profit for the six months ended 31 March 2007 was approximately HK\$92.4 million, which had increased by 4.5% from approximately HK\$88.4 million for the six months ended 31 March 2006. And that for the three months periods ended 31 March 2006 and 2007 had increased from approximately HK\$47.2 million to approximately HK\$51.9 million, which represented an increase of 10.0%. Gross profit margin for the six months ended 31 March 2007 was 64.7%, which has decreased by 3.1% and that for the three months ended 31 March 2007 was 64.8%, which has decreased by 1.5% respectively. The decrease in gross profit margin were mainly attributable to more aggressive pricing policy which we have implemented for the past six months to boost up sales under intense market competition. The directors believes our current pricing policy had scarified short term profits with longer term market share.

## **Administrative Expenses**

Administrative expenses mainly refer to the staff remuneration and benefits, office and traveling expenses. Administrative expenses was approximately HK\$12.5 million and approximately HK\$19.0 million for the three and six months ended 31 March 2007 respectively, which represented 123.2% and 88.1% increase as compared to approximately HK\$5.6 million and approximately HK\$10.1 million for the three and the six months ended 31 March 2006 respectively. Higher administrative expenses were arising from expansion of management, financial and administrative team and improvement of electronic monitoring system for the better management and control of the expanding sales networks and logistic functions.

## **Sales and Distribution Expenses**

Sales and distribution expenses mainly represent promotion fees, sales service charges, sales traveling and logistic expenses. For the current three and six months ended 31 March 2007, we have recorded a significant jump in sales and distribution expenses of approximately HK\$32.5 million and approximately HK\$66.3 million respectively as compared to approximately HK\$26.5 million and HK\$52.3 million respectively in the last corresponding periods. The higher sales and distribution expenses were mainly attributable to increase in both headcount and salary level of our sales team, development of our sales network and additional marketing costs for launch of new products.

## **Net Profit**

In the current three and six months ended 31 March 2007, we have recorded net profit attributable to equity holders of the Company of approximately HK\$6.8 million and HK\$4.3 million respectively. During these periods, we have sacrificed our short term profitability by continuing our expansion of sales network, strengthening of our logistic monitoring systems and controls and launching of new products as positive steps to counter act the growing intensity of price competition and challenge of new competitors with homogenous products.

## **Business Developments**

To sustain our market share and competitiveness, we have continued to expand our sales network to cover more sales points in wider geographic area, invest additional resources in advertising the brand name of Longlife and our products and to launch new products to feed the insatiate appetites of the consumers for new and hi-tech products.

During the past six months, we have introduced 6 six new daily cosmetic products: Floral Shampoo, Floral Body Wash, Fresh Hydrating Gel, Nourishment Hydrating Gel, Baby Talcum Powder and Whitening Sun Block Cream. We have also renewed and upgraded product packings for 9 existing products. On the other hand, we have adjusted and combined 18 sales branches, implemented stringent budget controls and introduced electronic inventory and logistic controls to contain cost expansion. We initially saw some improvement in sales of daily cosmetic products, but the overall economic benefits of these measures are yet to realized.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group executes prudent policy in its financial resources management. The Group had total cash and bank balances (excluding restricted-use bank deposits) of approximately HK\$16.8 million and approximately HK\$28.8 million as at 31 March 2007 and 30 September 2006, respectively.

The Group generally finances its operations with internally generated cash flows and banking facilities. The financial position of the Group was healthy and there was no seasonality for its borrowing requirements. As at 31 March 2007, the Group has short term bank borrowings of approximately HK\$18.7 million (30 September 2006: approximately HK\$5.9 million), which are repayable within one year. Bank borrowings which are repayable after one year amounted to HK\$4.5 million (30 September 2006: approximately HK\$15.5 million). The interest rates of such bank loans are usually at fixed rates.

Details of assets pledged by the Group to support the Group's credit facilities are set out in note 13 to the condensed consolidated results above.

The gearing ratio (defined as total borrowings including bank loans and amount due to a director to total assets) as at 31 March 2007 and 30 September 2006 was approximately 8.4% and 8.2% respectively. The increase in the gearing ratio is mainly due to an increase in bank loans employed.

## **CURRENCY STRUCTURE**

The Group had limited exposure to foreign exchange rate fluctuation as most of its transactions, including borrowings, were mainly conducted in Renminbi and the exchange rates of these currencies were relatively stable throughout the periods.

## **CONTINGENT LIABILITIES**

The Group has no material contingent liabilities as at 31 March 2007 (30 September 2006: nil).

## **CAPITAL COMMITMENTS**

As at 31 March 2007, capital expenditures included those contracted for but not provided for in the financial statements, which amounted to approximately HK\$6.4 million (30 September 2006: approximately HK\$6.4 million), which included acquisition of property, plant and equipment approximately HK\$4.3 million (30 September 2006: approximately HK\$4.3 million), construction in progress approximately HK\$1.8 million (30 September 2006: approximately HK\$1.8 million) and acquisition of prepaid lease payments approximately HK\$0.3 million (30 September 2006: approximately HK\$0.3 million).

## **BUSINESS PROSPECT**

In the coming second half of the financial year, we will continued to focus on our planned strategic targets and positioning. We will continue our effort to strengthen our sales network, improve the efficiency and effectiveness of our employee incentive scheme, continue our research and development ("R&D") efforts to develop more health conscious products.

In addition, we will introduce some external marketing/distribution agents to enlarge and improve our marketing coverage, while allow us to better contain of direct selling expenses increment.

This is a year of important strategic move for Longlife. While we continue our quest for improvement of efficiency in our own management and controls, we are also actively exploring the recruitment of international management expertise. We strongly believed that in a competitive environment of consumer products market in the PRC, long term growth strategy with strong R&D and effective and efficient management are the key factors to success.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Future Ordinance ("SFO")) which require notification to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which are required pursuant to section 352 of the SFO or which are required, pursuant to rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

### Long positions in the ordinary shares in the Company

Name	Capacity	Percentage of the issued share capital of the Company	
		Number of ordinary shares	
Zhang San Lin (張三林)	Beneficial owner	25,000,000	5.0%
Yang Shun Feng (楊順峰)	Beneficial owner	10,000,000	2.0%
Yao Feng (姚鋒)	Beneficial owner	10,000,000	2.0%

Save as disclosed above, none of the directors or chief executive of the Company have, as at 31 March 2007, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which require notification to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which are required pursuant to section 352 of the SFO or which are required, pursuant to rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2007, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly interested in 10% or more of the voting power at general meetings of the Company:

### Long position in the ordinary shares in the Company

Name	Capacity	Number of ordinary shares	Percentage of the issued share capital of the Company
Yang Hong Gen (楊洪根)	Beneficial owner	280,500,000	56.1%
Bao Xiao Mei# (包小妹)	Interest of spouse of Mr. Yang Hong Gan who is a beneficial owner	280,500,000	56.1%

*Note:*

- # Ms. Bao Xiao Mei is the wife of Mr. Yang Hong Gen. By virtue of section 316(1) of the SFO, Ms. Bao Xiao Mei is taken to be interested in the same number of shares in the Company in which Mr. Yang Hong Gen is interested.

Save as disclosed above and in the paragraphs headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" and "INTERESTS AND SHORT POSITIONS OF OTHER PERSONS", as at 31 March 2007, the Company has not been notified by any person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## INTERESTS AND SHORT POSITIONS OF OTHER PERSONS

As at 31 March 2007, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, save as disclosed in the paragraphs headed “DIRECTORS’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES” and “INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO” in this report, the following person had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly interested in 5% or more of the voting power at general meetings of the Company:

### Long position in the ordinary shares in the Company

Name	Capacity	Number of ordinary shares	Percentage of the issued share capital of the Company
Zhou Xiang Zhen# (周祥珍)	Interest of spouse of Mr. Zhang San Lin who is a beneficial owner	25,000,000	5.0%
CITIC International Assets Management Limited*	Beneficial owner	31,500,000	6.3%
CITIC International Financial Holdings Limited*	Through a controlled corporation	31,500,000	6.3%
CITIC Group*	Through a controlled corporation	31,500,000	6.3%

Note:

- # Ms. Zhou Xiang Zhen is the wife of Mr. Zhang San Lin. By virtue of section 316(1) of the SFO, Ms. Zhou Xiang Zhen is taken to be interested in the same number of shares in the Company in which Mr. Zhang San Lin is interested.

- \* *CITIC Group was deemed to be interested in 31,500,000 ordinary shares of the Company by virtue of its interest in CITIC International Financial Holdings Limited. CITIC International Financial Holdings Limited was deemed to be interested in 31,500,000 ordinary shares of the Company by virtue of its interest in CITIC International Assets Management Limited.*

Save as disclosed above and in the paragraphs headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" and "INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO", as at 31 March 2007, the Company has not been notified by any person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## **RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

Pursuant to the Company's share option scheme (the "Scheme") adopted on 26 May 2004 by the written resolutions of the shareholders of the Company, the Company granted certain options to the following directors which entitled the holder to subscribe for ordinary shares of the Company. Further details of the Scheme are set out under the heading "SHARE OPTION SCHEME" below.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entity provides research, development or other technological support to the Group, any minority shareholder in the Company's subsidiaries, and adviser to business development of the Group. The Scheme became effective on 26 May 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted shall be determined by the directors at their absolute discretion, but in any event shall not be more than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Exchange") on the date of the offer of grant; (ii) the average closing price of the Company's shares as stated in the Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's shares.

Up to 30 September 2006, 50,000,000 share options have been granted to 10 eligible participants (including executive directors) under the Scheme. All of these share options lapsed in December 2006. No share option was granted and exercised under the Scheme during the period.

## **EMPLOYEES' REMUNERATION**

As at 31 March 2007, the Group had approximately 9,113 (30 September 2006: 7,174) employees which are mainly located in the PRC. The staff costs for the six months ended 31 March 2007 was approximately HK\$49.9 million.

The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training and a share option scheme.

The employees of the subsidiaries are members of retirement benefits scheme according to the statutory requirements. The relevant subsidiaries is required to make contributions to the defined contribution pension scheme based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations.

In addition, pursuant to regulations stipulated by the PRC government, the PRC subsidiary started a defined contribution health care scheme. The employees currently under the defined contribution pension scheme are entitled to the health care scheme. Under this scheme, the PRC subsidiary and the relevant employees have to contribute certain percentage of the employees' salaries to the scheme.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

## **AUDIT COMMITTEE**

The Company established an audit committee (the "Committee") in June 2004 with written terms of reference in compliance with the GEM Listing Rules. The Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors of the Company, namely Messrs. Yin Jing Le, Yu Jie and Luk Yu King, James.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including review of the unaudited condensed results of the Company for the three months and six months ended 31 March 2007.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the periods under review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the six months ended 31 March 2007, except for the following deviations:

Code provision A1.3 stipulates that 14-days notice should be given for each board meeting. The Company agrees that sufficient time should be given to the Directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

Code provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Yao Feng ("Mr. Yao") (formerly Mr. Yang Hong Gen who resigned as the chairman and chief executive officer of the Company on 22 March 2007), is both the chairman and chief executive officer of the Company who is responsible for managing the Board and the Group's business. Mr. Yao has been both chairman and chief executive officer of the Company since 22 March 2007. The Board considers that Mr. Yao has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently. The combination of the roles of chairman and chief executive officer can effectively formulate and implement the Group's strategies. The Board also considers that, at its present size, there is no imminent need to segregate the role of chairman and chief executive officer. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of chairman and chief executive officer is necessary.

Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Apart from the executive directors and independent non-executive directors, the non-executive director of the Company is not appointed for specific terms. However, the non-executive director is subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles"). Accordingly the Company believes that the non-executive directors ought to be committed to representing the long-term interests of the Company's shareholders and the rotation methodology ensures a reasonable proportion of Directors in continuity which is to the best interest of the Company's shareholders.

Code provision A4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Articles of the Company, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that the Chairman, Deputy Chairman or managing Director shall not be subject to retirement by rotation. The Company's Articles deviate from the code provision. The Company considered that the continuity of the Chairman/Deputy Chairman/managing Director and their leadership is essential for the stability of the business and key management.

By Order of the Board  
**Longlife Group Holdings Limited**  
**Yao Feng**  
*Chairman*

Hong Kong, 14 May 2007

*Executive directors of the Company as at date of this report:*

Mr. Yao Feng (姚鋒)

Mr. Zhang San Lin (張三林)

Mr. Yang Shun Feng (楊順峰)

Mr. Sha Hai Bo (沙海波)

*Non-executive director of the Company as at date of this report:*

Mr. Lo Wing Yat, Kelvin (盧永逸)

*Independent non-executive directors of the Company as at date of this report:*

Mr. Yin Jing Le (尹景樂)

Mr. Yu Jie (俞杰)

Mr. Luk Yu King, James (陸宇經)