



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)



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Third Quarterly Report

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.

HIGHLIGHTS

The Group achieved satisfactory performance with the turnover of approximately HK\$44.4 million for the three months ended 30 June 2004 and approximately HK\$155.6 million for the nine months ended 30 June 2004, representing increases of 4% and 13%, respectively, over the corresponding periods of 2003.

Profit attributable to shareholders was approximately HK\$7.5 million for the three months ended 30 June 2004 and approximately HK\$27.6 million for the nine months ended 30 June 2004, representing increases of 74% and 44%, respectively, over the corresponding periods of 2003.

UNAUDITED NINE-MONTH RESULTS

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 nine months and three months ended 30 June 2004 together with the comparative unaudited figures for the corresponding periods in 2003, prepared in accordance with 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.

		Three months ended 30 June 2004 HK\$'000	Three months ended 30 June 2003 HK\$'000	Nine months ended 30 June 2004 HK\$'000	Nine months ended 30 June 2003 HK\$'000
	Notes				
Turnover	2	44,445	42,780	155,622	138,176
Cost of sales		(17,302)	(22,673)	(62,467)	(70,529)
Gross profit		27,143	20,107	93,155	67,647
Other operating income		21	42	245	181
General and administrative expenses		(3,052)	(2,545)	(8,323)	(5,681)
Selling expenses		(15,653)	(12,173)	(52,028)	(38,751)
Other operating expenses		(386)	(248)	(862)	(382)
Net operating profit		8,073	5,183	32,187	23,014
Finance costs		(511)	(286)	(1,584)	(1,134)
Profit before tax		7,562	4,897	30,603	21,880
Tax	3	(83)	(604)	(2,955)	(2,673)
Net profit from ordinary activities attributable to shareholders		7,479	4,293	27,648	19,207
Dividends	4	5,000	14,283	5,000	14,283
Earnings per share	5				
– Basic		1.6 cents	1.2 cents	5.8 cents	5.5 cents
– Diluted		1.5 cents	1.1 cents	5.7 cents	5.3 cents

Notes:

1. Group Reorganisation and 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.

Pursuant to the group reorganisation completed on 26 May 2004 (the “Group Reorganisation”) in preparation for the listing of the Company’s shares on the GEM of the Exchange, the Company became the holding company of its subsidiaries. Details of the Group Reorganisation was set out in the prospectus of the Company dated 1 June 2004 (the “Prospectus”).

The shares of the Company were successfully listed on the GEM of the Exchange on 17 June 2004.

The unaudited results of the Group comprise the results of the Company and its subsidiaries using the merger accounting basis as if the current group structure has been in existence throughout the periods under report or since their respective dates of incorporation/acquisition, where this is a shorter period.

The unaudited condensed results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Statements issued by the Hong Kong Society of Accountants. The unaudited condensed results have been prepared under the historical cost convention. The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s accountants’ report set out in the Prospectus for the year ended 30 September 2003.

2. Turnover

Turnover represents the net amounts received and receivable from sales of products less sales tax and discounts, if any, during the period. Analysis of revenue and turnover during the nine months and three months ended 30 June 2004 and the comparative figures for the corresponding periods in 2003 are as follows:

	Three months ended 30 June 2004 HK\$'000	Three months ended 30 June 2003 HK\$'000	Nine months ended 30 June 2004 HK\$'000	Nine months ended 30 June 2003 HK\$'000
Branded nutrients	15,858	15,238	56,497	63,728
Nutrients in wine	1,602	5,362	11,839	15,195
Nutrients in bath & shower	13,546	12,379	40,410	29,637
Nutrients in skin care	7,665	4,622	29,699	16,893
Nutrients in hair care	5,774	5,179	17,177	12,723
	44,445	42,780	155,622	138,176

2. Turnover (continued)

No geographical segmental information is presented as the Group is principally engaged in the manufacture, research, development and distribution of health related products in the People's Republic of China (the "PRC") and the Directors consider that there is only one geographical segment.

3. Tax

No provision for Hong Kong profits tax has been made for the period as the income neither arises in, nor is derived from, Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, Suzhou Longlifu Health Food C., Ltd. ("Suzhou Longlifu") and Suzhou Beautiful Biochemistry Co., Ltd. ("Suzhou Beautiful") 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 in FEIT commenced on 1 January 2003. Suzhou Beautiful obtained confirmation from the relevant tax authority for commencing its first profit-making year from 1 January 2004.

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

	Three months ended 30 June 2004 HK\$'000	Three months ended 30 June 2003 HK\$'000	Nine months ended 30 June 2004 HK\$'000	Nine months ended 30 June 2003 HK\$'000
Profit before tax	7,562	4,897	30,603	21,880
Add: subsidiaries with tax losses	74	–	130	–
	7,636	4,897	30,733	21,880
Tax at domestic statutory tax rate of 24%	1,833	1,175	7,376	5,251
Tax effect of expenses not deducible for tax purpose	36	17	108	48
Income tax on concessionary rate	(47)	(588)	(2,847)	(2,626)
Effect of tax exemptions granted to a PRC subsidiary	(1,739)	–	(1,682)	–
	83	604	2,955	2,673

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

4. Dividends

	Three months ended 30 June 2004 HK\$'000	Three months ended 30 June 2003 HK\$'000	Nine months ended 30 June 2004 HK\$'000	Nine months ended 30 June 2003 HK\$'000
Interim dividends:				
Interim dividend of HK\$0.01 per ordinary share	5,000	–	5,000	–
Dividend declared or paid by Suzhou Longlifu (as defined below)	–	14,283	–	14,283
	5,000	14,283	5,000	14,283

The interim dividend declared by Suzhou Longlifu before listing represents the dividend paid or declared by Suzhou Longlifu, a subsidiary of the Company to its then shareholders during the periods. The dividend rates and number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of these unaudited condensed results.

5. Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share for the nine months and three months ended 30 June 2004 is based on the unaudited consolidated net profit from ordinary activities attributable to shareholders for the periods of approximately HK\$27,648,000 and HK\$7,479,000, respectively, and on 475,500,000 ordinary shares that have been in issue throughout the periods on the assumption that the Group Reorganisation, capitalisation issue, and the placing of shares on listing had been completed on 1 October 2003.

For information only, the calculation of basic earnings per share for the nine months and three months ended 30 June 2003 is based on the unaudited consolidated net profit from ordinary activities attributable to shareholders for the periods of approximately HK\$19,207,000 and HK\$4,293,000, respectively, and on 350,500,000 ordinary shares that have been in issue throughout the periods on the assumption that the Group Reorganisation and the capitalisation issue had been completed on 1 October 2002.

Diluted earnings per share

The calculations of diluted earnings per share for the nine months and three ended 30 June 2004 are based on the adjusted results of HK\$28,376,000 and HK\$7,693,000, respectively, after adjusted the interest on convertible bonds of HK\$728,000 and HK\$214,000, respectively; and on adjusted number of 500,000,000 ordinary shares that have been in issue that have been in issue throughout the periods on the assumption that the Group Reorganisation, capitalisation issue, the placing of shares, and the conversion of convertible bonds (the “Convertible Bonds”) with CITIC International Assets Management Limited, the principal terms of which are set out in the Prospectus on listing had been completed on 1 October 2003.

5. Earnings Per Share (continued)

For information only, the calculations of diluted earnings per share for the nine months and three ended 30 June 2003 are based on the adjusted results of HK\$19,975,000 and HK\$4,312,000, respectively, after adjusted the interest on convertible bonds of HK\$768,000 and HK\$19,000, respectively; and on adjusted number of 375,000,000 ordinary shares that have been in issue throughout the periods on the assumption that the Group Reorganisation, capitalisation issue, and the conversion of the Convertible Bonds had been completed on 1 October 2002.

6. Share Capital and Reserves

For the purpose of the presentation of the unaudited condensed results, the movements of the share capital shown below represented the share capital of the Company as if the Group Reorganisation, capitalisation issue, conversion of the Convertible Bonds, and the placing of shares on listing had been completed as at the respective dates.

A. *Movements of authorised share capital are as follows:*

	Note	Number of shares	Par value per share	Amount HK\$'000
Upon incorporation	(a)	1,000,000	HK\$0.10	100
At 30 June 2003		1,000,000	HK\$0.10	100
Increased on 26 May 2004	(b)	1,000,000	HK\$0.10	100
Conditionally increased on 26 May 2004	(c)	1,998,000,000	HK\$0.10	199,800
At 30 June 2004		2,000,000,000	HK\$0.10	200,000

Notes:

- (a) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 June 2003 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares having a par value of HK\$0.10 each.
- (b) Pursuant to a resolution in writing of the then sole shareholder passed on 26 May 2004, the share capital of the Company was increased to HK\$200,000 by the creation of a further 1,000,000 shares.
- (c) Pursuant to a resolution in writing of the then sole shareholder passed on 26 May 2004, the share capital of the Company was conditionally increased to HK\$200 million by the creation of a further 1,998 million shares.

6. Share Capital and Reserves (continued)

B. Movements of issued share capital are as follows:

	<i>Note</i>	Number of shares	Par value per share paid up	Amount HK\$'000
Shares allotted and issued on 23 June 2003 at nil paid	a, c	1,000,000	HK\$0.10	–
At 30 June 2003		1,000,000	HK\$0.10	–
Shares allotted and issued and credited as fully paid upon Group Reorganisation	b, c	1,000,000	HK\$0.10	200
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the placing of the Company's share	d	348,500,000	HK\$0.10	34,850
Issuance of the Company's shares for conversion of the Convertible Bonds	e	24,500,000	HK\$0.10	2,450
Issuance of the Company's shares for placing on listing	f	125,000,000	HK\$0.10	12,500
At 30 June 2004		500,000,000	HK\$0.10	50,000

Notes:

- (a) On 25 June 2003, an aggregate of 1,000,000 shares were allotted and issued nil paid. All such nil paid shares were subsequently paid up in the manner described in note (c) below.
- (b) Pursuant to a resolution in writing of the then sole shareholder passed on 26 May 2004, the share capital of the Company was increased to HK\$200,000 by the creation of a further 1,000,000 shares, all of which were on that date allotted and issued, credited as fully paid as described in note (c) below.
- (c) The Group Reorganisation involved the transfer to the Company on 26 May 2004 an aggregate of 100 shares of US\$1 each in Wallfaith Company Limited ("Wallfaith"), being the entire issued share capital of Wallfaith, the intermediate holding company of the Group, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, at par 1,000,000 new shares as set out in (b) above; and (ii) credited as fully paid at par the 1,000,000 nil paid shares as set out in (a) above.

6. Share Capital and Reserves (continued)

- (d) Conditional on the share premium account of the Company being credited as a result of the placing of the Company's shares, pursuant to the then sole shareholder passed on 26 May 2004, the directors were authorised to capitalise HK\$34.85 million standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 348.5 million shares for allotment and issue.
- (e) On conversion of the Convertible Bond, 24.5 million ordinary shares of HK\$0.10 each were issued at HK\$0.35 per share. The premium over the par value of the shares are credited to the share premium account.
- (f) On 17 June 2004, 125.0 million ordinary shares of HK\$0.10 each were issued at HK\$0.50 per share by way of placing. The premium over the par value of the shares are credited to the share premium account.

C. Movements of reverses are as follows:

	<i>Notes</i>	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 2003		–	27,930	27,930
Shares allotted and issued and credited as Fully paid upon Group Reorganisation	a	74,953	–	74,953
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the placing of the Company's share	b	(34,850)	–	(34,850)
Issuance of the Company's shares for conversion of the Convertible Bonds	c	6,125	–	6,125
Issuance of the Company's shares for placing on listing	d	50,000	–	50,000
Profit for the period		–	27,648	27,648
Interim dividend		–	(5,000)	(5,000)
At 30 June 2004		<u>96,228</u>	<u>50,578</u>	<u>146,806</u>

6. Share Capital and Reserves (continued)

Notes:

- (a) The Group Reorganisation involved the transfer to the Company on 26 May 2004 an aggregate of 100 shares of US\$1 each in Wallfaith, being the entire issued share capital of Wallfaith, the intermediate holding company of the Group, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, at par 1,000,000 new shares; and (ii) credited as fully paid at par the 1,000,000 nil paid shares.
- (b) Conditional on the share premium account of the Company being credited as a result of the placing of the Company's shares, pursuant to the then sole shareholder passed on 26 May 2004, the directors were authorised to capitalise HK\$34.85 million standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 348.5 million shares for allotment and issue.
- (c) On conversion of the Convertible Bond, 24.5 million ordinary shares of HK\$0.10 each were issued at HK\$0.35 per share. The premium over the par value of the shares are credited to the share premium account.
- (d) On 17 June 2004, 125.0 million ordinary shares of HK\$0.10 each were issued at HK\$0.50 per share by way of placing. The premium over the par value of the shares are credited to the share premium account.

DIVIDEND

The Board recommend the payment of an interim dividend of HK\$5,000,000, representing HK1 cent per share in respect of the nine months ended 30 June 2004 to all shareholders whose names appear on the register of members on Monday, 23 August 2004.

The register of members of the Company will be closed from Monday, 23 August 2004 to Wednesday, 25 August 2004, both days inclusive, during which no transfer of shares will be effective.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share register in Hong Kong, Tricor Investor Services Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 August 2004.

BUSINESS REVIEW

For the nine months ended 30 June 2004, the overall turnover of the Group continued to grow with an increase from approximately HK\$138.2 million to approximately HK\$155.6 million, representing an increase of 13% over the corresponding period last year.

On a quarterly basis, the turnover of the third quarter of this fiscal year showed a growth of 4% over the corresponding period of 2003. The revenue growth in this period was attributable to the Group's expansion of its sales network and the reallocation of internal resources to aim at a more efficient control over inventories.

The Group's gross margin has increased from 49.0% for the nine months ended 30 June 2003 to 60.0% for the nine months ended 30 June 2004 and from 47.0% for the three months ended 30 June 2003 to 61.0% for the three months ended 30 June 2004. It is because the Group has placed more efforts in products with high profit margins such as nutrients in bath & shower, nutrients in skin care and nutrients in hair care products.

In order to strengthen its coverage in the East China region by way of increasing advertising and number of sales headcount, as a result, selling expenses increased by 34.3% and 28.6%, to approximately HK\$52.0 million and approximately HK\$15.7 million, respectively for the nine months and three months ended 30 June 2004 as compared to the corresponding period last year.

BUSINESS REVIEW *(continued)*

During the quarter under review, the Group has placed increasing emphasis on the improvement of efficiency and effective controls over sales offices located in more than 10 provinces and municipal cities in the PRC. Additional administrative and finance staffs have been employed to cater for the management of the expanding sales team. Accordingly, general and administrative expenses increased by 46.5% and 19.9% to approximately HK\$8.3 million and approximately HK\$3.1 million, respectively, for the nine months and three months ended 30 June 2004 as compared to the corresponding period last year.

The Group's effective tax rate was lowered from 12% during the nine months ended 30 June 2003 to 10% during the nine months ended 30 June 2004. The lowered tax rate was due to the tax benefit enjoyed by Suzhou Beautiful.

BUSINESS PROSPECT

The directors believe research and development are essential for the business. The Group has continuous its commitment to develop new products to cater for the consumers' needs.

During the periods under review, the product testing and commercial production testing of High Calcium Protein Nutritious Powder, a new branded nutrients product, was at its final stage. At the same time, the application for relevant licenses of this product is in progress. Management of the Group expected that it will be available to the market in the next quarter. The new products in of nutrients in bath & shower products for children were well received by the market. There are a number of new products in the pipeline such as Vinegar & Garlic Capsule, etc. Members of our research and development team are devoted to develop new products to cater for the consumer needs. In addition, the Group is planning to repackage its nutrients in wine products. The management believe that the above will facilitate the Group to ready for the coming peak seasons.

During the periods under review, several new sales offices have been established in Jiangsu Province and Anhui Province. The Group is carrying out feasibility studies to establish another two to three new sales offices in Hubei Province, Hunan Province, Jiangxi Province, Henan Province to extend our coverage in these regions.

A new series of products in nutrients in bath & shower, nutrients in skin care and nutrients in hair care products have been developed with a brandname of "LANG". This series of products are designed for the younger generation with natural and environmentally friendly concepts. Management believe that as the demand of comestics and skin care products by the younger generation is increasing, there is a great potential in this sector.

BUSINESS PROSPECT *(continued)*

During the periods under review, the Group set up a new production line for its toothpaste series. The Group can now manufacture toothpaste within the factory premises under its direct management. This will help the Group to improve quality and cost control.

The directors believe that the Group has to strengthen the management and control function to cater for the future development following the listing of the Company's shares in Hong Kong. We have focus on the improvement of effective allocations of resources. During the periods under review, the new DRP system has been put into testing and trial run. Full implementation of the system will ensure the Group's effective control over sales order, processing, inventories on hand and reallocation of inventories among different sales offices.

Looking forward, the Group is actively looking for suitable business alliances for the distribution and promotion of our products overseas or in other markets.

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

As at 30 June 2004, 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 shares of the Company

Name of director	Capacity	Number of ordinary shares	% to total issued share capital of the Company
Yang Hong Gen (楊洪根)	Beneficial owner	280,500,000	56.1%
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%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, none of the directors or chief executive of the Company have, as at 30 June 2004, 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 30 June 2004, 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 paragraph headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" 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 10% or more of the voting power at general meetings of the Company:

Long position in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	% to total issued share capital of the Company
Bao Xiao Mei # (包小妹)	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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(continued)*

Save as disclosed above and in the paragraph headed “INTERESTS AND SHORT POSITIONS OF OTHER PERSONS”, as at 30 June 2004, 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 30 June 2004, 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 paragraph headed “DIRECTORS’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES” 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 shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	% to total issued share capital of the Company
Zhou Xiang Zhen # (周祥珍)	Beneficial owner	25,000,000	5.0%

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.

Save as disclosed above and in the paragraph headed “INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO”, as at 30 June 2004, 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.

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 nine months ended 30 June 2004.

BOARD PRACTICES AND PROCEDURES

Throughout the period under review, the Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules.

SPONSOR’S INTERESTS

Pursuant to a sponsor agreement dated 1 June 2004 between the Company and CSC Asia Limited (“CSC Asia”), CSC Asia will be retained as the sponsor of the Company for the purpose of Chapter 6 of the GEM Listing Rules for the period from 17 June 2004 (being the listing date) to 30 September 2006.

None of CSC Asia, its directors, employees or associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 June 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as the Group Reorganisation as set out in the Prospectus, 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.

By Order of the Board
Longlife Group Holdings Limited
Yang Hong Gen
Chairman

Hong Kong, 9 August 2004

Executive Directors of the Company as at date of this report:

Mr. Yang Hong Gen (楊洪根)
Mr. Liu Zhuoru (劉卓如)
Mr. Zhang San Lin (張三林)
Mr. Yang Shun Feng (楊順峰)
Mr. Yao Feng (姚鋒)
Mr. Sha Hai Bo (沙海波)
Mr. Cheung Kin Hung, Frankie (張建雄)

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)