



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\$44.6 million for the three months ended 30 June 2005 and approximately HK\$156.5 million for the nine months ended 30 June 2005, representing increases of 0.2% and 0.6%, respectively, over the corresponding periods of 2004. Profit attributable to shareholders was approximately HK\$5.2 million for the three months ended 30 June 2005 and approximately HK\$27.3 million for the nine months ended 30 June 2005, representing decreases of 30.6% and 1.1%, respectively, over the corresponding periods of 2004.

UNAUDITED NINE-MONTH RESULTS

The board (“the Board”) of directors (the “Directors”) 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 nine months ended 30 June 2005 together with the comparative unaudited figures for the corresponding periods in 2004, 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 2005	Three months ended 30 June 2004	Nine months ended 30 June 2005	Nine months ended 30 June 2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	44,550	44,445	156,486	155,622
Cost of sales		(13,619)	(17,302)	(50,566)	(62,467)
Gross profit		30,931	27,143	105,920	93,155
Other operating income		31	21	457	245
General and administrative expenses		(4,907)	(3,052)	(12,301)	(8,323)
Selling expenses		(20,164)	(15,653)	(64,448)	(52,028)
Other operating expenses		(27)	(386)	(375)	(862)
Net operating profit		5,864	8,073	29,253	32,187
Finance costs		(621)	(511)	(1,212)	(1,584)
Profit before tax		5,243	7,562	28,041	30,603
Tax	3	–	(83)	(762)	(2,955)
Net profit from ordinary activities attributable to shareholders		5,243	7,479	27,279	27,648
Dividends	4	–	5,000	–	5,000
Earnings per share	5				
– Basic		1.0 cent	1.6 cents	5.5 cents	5.8 cents
– Diluted		1.0 cent	1.5 cents	5.4 cents	5.7 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 for the periods ended 30 June 2004 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 Institute of Certified Public 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 audited financial statements set out in the annual report for the year ended 30 September 2004.

2. Turnover

Turnover represents the net amounts received and receivable from sales of consumer products less sales tax and discounts, if any, during the periods. The Group is solely engaged in the manufacture, research, development and distribution of consumer products and operates in the People’s Republic of China (the “PRC”) only. In addition, the identifiable assets of the Group are located in the PRC. Accordingly, no analysis by business segment and geographical area of operations are provided. However, for reference purposes only, the following set out an analysis of revenue and turnover during the three months and nine months ended 30 June 2005 and the comparative figures for the corresponding periods in 2004.

	Three months ended 30 June 2005 HK\$’000	Three months ended 30 June 2004 HK\$’000	Nine months ended 30 June 2005 HK\$’000	Nine months ended 30 June 2004 HK\$’000
Nutrients and health care products	14,444	17,460	55,837	68,336
Body care products	30,106	26,985	100,649	87,286
	44,550	44,445	156,486	155,622

3. Income Tax Expenses

	Three months ended 30 June 2005 HK\$'000	Three months ended 30 June 2004 HK\$'000	Nine months ended 30 June 2005 HK\$'000	Nine months ended 30 June 2004 HK\$'000
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Tax charge comprises:

Tax in other regions of the PRC (Outside Hong Kong)	—	83	762	2,955
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No provision for Hong Kong profits tax has been made for the periods 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 Co., 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 charge for the periods can be reconciled to the profit before tax per the income statement as follows:

	Three months ended 30 June 2005 HK\$'000		Three months ended 30 June 2004 HK\$'000		Nine months ended 30 June 2005 HK\$'000		Nine months ended 30 June 2004 HK\$'000	
Profit before tax	5,243		7,562		28,041		30,603	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tax at domestic statutory tax rate of 24%	1,258	24	1,814	24	6,730	24	7,345	24
Tax effect of expenses not deductible for tax purpose	130	2	55	1	281	1	139	1
Income tax on concessionary rate	(1,388)	(26)	(1,786)	(24)	(6,249)	(22)	(4,529)	(15)
	—	—	83	1	762	3	2,955	10

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 2005 HK\$'000	Three months ended 30 June 2004 HK\$'000	Nine months ended 30 June 2005 HK\$'000	Nine months ended 30 June 2004 HK\$'000
Interim dividend of HK\$0.01 per ordinary share	–	5,000	–	5,000

5. Earnings Per Share

Basic earnings per share

The calculations of basic earnings per share for the three months and nine months ended 30 June 2005 are based on the unaudited consolidated net profit from ordinary activities attributable to shareholders for the periods of approximately HK\$5,243,000 and HK\$27,279,000, respectively and on 500,000,000 ordinary shares that have been in issue throughout the periods.

For information only, the calculations of basic earnings per share for the three months and nine months ended 30 June 2004 are based on the unaudited combined net profit from ordinary activities attributable to shareholders for the periods of approximately HK\$7,479,000 and HK\$27,648,000, 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.

Diluted earnings per share

The calculations of diluted earnings per share for the three months and nine months ended 30 June 2005 are based on the results of HK\$5,243,000 and HK\$27,279,000, respectively and on adjusted number of share of approximately 503,712,000 and 505,071,000 ordinary shares that have been in issue throughout the periods respectively on the assumption that the 50,000,000 share options had been exercised on 1 October 2004.

For information only, the calculations of diluted earnings per share for the three months and nine months ended 30 June 2004 are based on the adjusted results of approximately HK\$7,693,000 and HK\$28,376,000, respectively, after adjusted the interest on exchangeable bonds ("Exchangeable Bonds") with CITIC Investment Limited, the principal terms of which are set out in the Prospectus, of approximately HK\$214,000 and HK\$728,000 respectively and on adjusted number of share of 500,000,000 ordinary shares that have been in issue throughout the periods on the assumption that the Group Reorganisation, capitalization issue and the placing of shares of 475,500,000 shares of the Company had been effective on 1 October 2003 taking into account the weighted average number of 24,500,000 shares to be issued upon conversion of Exchangeable Bonds in accordance with the terms of the deed poll constituting the Exchangeable Bonds dated 18 September 2003.

6. Share Capital

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 Exchangeable 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:*

	<i>Notes</i>	Number of shares	Par value per share	Amount HK\$'000
Incorporation of the Company	(a)	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)	<u>1,998,000,000</u>	HK\$0.10	<u>199,800</u>
At 30 June 2004 and 30 June 2005		<u><u>2,000,000,000</u></u>	HK\$0.10	<u><u>200,000</u></u>

Notes:

- (a) The Company was incorporated 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) On 26 May 2004, the authorised share capital of the Company was increased to HK\$200,000 by the creation of 1,000,000 shares of HK\$0.10 each.
- (c) The authorised share capital of the Company was further increased to HK\$200 million by the creation of 1,998 million shares of HK\$0.10 each.

6. Share Capital (continued)

B. Movements of issued share capital are as follows:

		Number of shares	Par value per share	Amount HK\$'000
	Notes			
Incorporation of the Company				
issued at nil paid	(a)	1,000,000	HK\$0.10	–
Shares issued and upon reorganisation	(b)	1,000,000	HK\$0.10	200
Exercise of the Exchangeable Bonds	(c)	24,500,000	HK\$0.10	2,450
Issue of shares on placing	(d)	125,000,000	HK\$0.10	12,500
Capitalisation issue	(e)	348,500,000	HK\$0.10	34,850
At 30 June 2004 and at 30 June 2005		<u>500,000,000</u>	HK\$0.10	<u>50,000</u>

Notes:

- (a) On 25 June 2003, an aggregate of 1,000,000 shares of HK\$0.10 each were allotted and issued nil paid. All such nil paid shares were subsequently paid up.
- (b) On 26 May 2004, the authorised share capital of the Company was increased to HK\$200,000 by the creation of 1,000,000 shares of HK\$0.10 each, all of which were on the date allotted, issued and credited as fully paid (together with 1,000,000 shares issued in note (a)) by capitalised from the share premium account HK\$200,000. On the same date, Wallfaith Company Limited became a subsidiary of the Company and its share capital of HK\$1,000 and share premium account of HK\$22,442,000 were transferred to a special reserve.
- (c) 24,500,000 shares of HK\$0.10 each were issued at HK\$0.35 per share pursuant to the conversion of the Exchangeable Bonds. The premium over the par value of the shares of HK\$6,125,000 are credited to the share premium account.
- (d) 125,000,000 shares of HK\$0.10 each were issued at HK\$0.50 per share pursuant to the Placing. The premium over the par value of the shares of HK\$50,000,000 are credited to the share premium account. The share issue expenses totally approximately HK\$13,130,000 were out of the share premium account.
- (e) 348,500,000 shares of HK\$0.10 each were issued and credited as fully paid by capitalisation the Company's share premium account to HK\$34,850,000.

C. Movements of reserves

Except as disclosed elsewhere in this report, there are no transfer to and from reserves.

DIVIDEND

The Board did not recommend the payment of any interim dividend for the periods ended 30 June 2005 (periods ended 30 June 2004: HK\$5,000,000 from the accumulated profits of the Company) and proposed that the profit to be retained.

BUSINESS REVIEW

For the nine months ended 30 June 2005, the overall turnover of the Group continued to grow with an increase from approximately HK\$155.6 million to approximately HK\$156.5 million, representing a slight increase of 0.6% over the corresponding period last year. On a quarterly basis, the turnover of the third quarter of this fiscal year showed a growth of 0.2% over the corresponding period of 2004 from approximately HK\$44.4 million last year to approximately HK\$44.6 million this year.

During the three months and nine months ended 30 June 2005, the effect of revenue growth of body care products has been offset by the revenue drop of nutrients and health care products. The shift in sales mix was due to the focus of the Group on promoting body care products with higher gross profit margins.

The Group's gross margin has increased from 60% for the nine months ended 30 June 2004 to 68% for the nine months ended 30 June 2005; and from 61% for the three months ended 30 June 2004 to 69% for the three months ended 30 June 2005. The improvement in gross profit margin was due to the effect of the Group products with high profit margins and the lowered cost of raw materials.

In order to strengthen its coverage in the Eastern China Region, the Group increases advertising and number of sales headcount. Moreover, a bonus of approximately HK\$1.3 million was paid in current period to the sales personnels. As a result, selling and distribution expenses increased by 28.8% and 23.8% to approximately HK\$20.2 million and HK\$64.4 million for the three months and nine months ended 30 June 2005 respectively as compared to the corresponding periods last year.

During the periods 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. Moreover, the Company incurred additional professional expenses for listing compliance. Accordingly, administrative expenses increased by 60.8% and 47.8% to approximately HK\$4.9 million and HK\$12.3 million for the three months and nine months ended 30 June 2005 respectively as compared to the corresponding periods last year.

The Group's effective tax rate was lowered during the three months and nine months ended 30 June 2005 as compared with the corresponding periods last year because of the tax benefit enjoyed by Suzhou Beautiful.

BUSINESS PROSPECT

The Directors believe research and development ("R&D") are essential for the continuous growth of the Group. The Group's R&D team particularly focuses on the development of new commercial-viable products and the development of production technology in order to facilitate the commercialisation of the Group's wide range of products. In addition, the R&D team continuously participates in academic seminars and consumer product exhibitions in order to understand and keep abreast of the latest development of the market trend.

During the period under review, the product testing and commercial production testing of 11 new body care products were completed and test sold in the market. There are still a number of body care products in the pipelines.

The Group places strong emphasis on establishing the image of products through product packaging. During the period under review, the Group has upgraded its packing facilities. In this period, the Group finalised the re-packing of Whitening Anti-sunlight Lotion (美白防曬露). The Group will continue the upgrade of its product packaging to fit consumers' needs.

The Group has confirmed its commitment to enhance computer facilities as to improve the effectiveness and efficiency of the Group's workflow to cater for further development. During the period under review, the implantation of ERP management system has been completed. It allows the Group's effective control over sales order, processing, inventories on hand and reallocation of inventories among different business offices. It allows the Group to expand more efficiently.

With the surge of the economy in the PRC in recent years, more business opportunities are expected to be available for the Group. To sustain the growth momentum, the Group will continue to strengthen the marketing and distribution networks. The Group is working for a more extensive coverage for its products so as to boost the sales. With the strong research and development back up, the Group is well equipped to develop a greater variety of new quality products to cater to the demand of the expanding PRC consumers markets and the development of overseas markets.

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

As at 30 June 2005, 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 of director	Capacity	Number of ordinary shares	Percentage 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%

Options to subscribe for ordinary shares in the Company (as cash settled equity derivatives)

Name	Date of grant	Capacity	Closing price immediately before the date on which the options were granted HK\$	Exercise price HK\$	Number of share option outstanding as at 1 October 2004	Number of share option granted	Number of share option outstanding as at 30 June 2005
Yang Hong Gen (楊洪根)	28 December 2004	Beneficial owner	0.27	0.27	–	5,000,000	5,000,000
Zhang San Lin (張三林)	28 December 2004	Beneficial owner	0.27	0.27	–	5,000,000	5,000,000
Yang Shun Feng (楊順峰)	28 December 2004	Beneficial owner	0.27	0.27	–	5,000,000	5,000,000
Yao Feng (姚鋒)	28 December 2004	Beneficial owner	0.27	0.27	–	5,000,000	5,000,000
Sha Hai Bo (沙海波)	28 December 2004	Beneficial owner	0.27	0.27	–	5,000,000	5,000,000

The exercise period of the above share options is from 28 December 2004 to 27 December 2006. No share options were exercised, cancelled and lapsed during the period.

Save as disclosed above, none of the Directors or chief executive of the Company have, as at 30 June 2005, 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 2005, 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 ordinary shares in the Company

Name of shareholder	Capacity	Number of ordinary shares	Percentage to total issued share capital of the Company
Bao Xiao Mei* (包小妹)	Beneficial owner	280,500,000	56.1%

Options to subscribe for ordinary shares in the Company (as cash settled equity derivatives)

Name	Date of grant	Capacity	Closing price immediately before the date on which the options were granted HK\$	Exercise price HK\$	Number of share option outstanding as at 1 October 2004	Number of share option granted	Number of share option outstanding as at 30 June 2005
Bao Xiao Mei* (包小妹)	28 December 2004	Interest of spouse	0.27	0.27	–	5,000,000	5,000,000

The exercise period of the above share options is from 28 December 2004 to 27 December 2006. No share options were exercised, cancelled and lapsed during the period.

Note:

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

Save as disclosed above and in the paragraph headed “INTERESTS AND SHORT POSITIONS OF OTHER PERSONS”, as at 30 June 2005, 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 2005, 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 positions in the ordinary shares in the Company

Name of shareholder	Capacity	Number of ordinary shares	Percentage to total issued share capital of the Company
Zhou Xiang Zhen# (周祥珍)	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%

Options to subscribe for ordinary shares in the Company (as cash settled equity derivatives)

Name	Date of grant	Capacity	Closing price immediately before the date on which the options were granted HK\$	Exercise price HK\$	Number of share option outstanding as at 1 October 2004	Number of share option granted	Number of share option outstanding as at 30 June 2005
Zhou Xiang Zhen* (周祥珍)	28 December 2004	Interest of spouse	0.27	0.27	–	5,000,000	5,000,000

The exercise period of the above share options is from 28 December 2004 to 27 December 2006. No share options were exercised, cancelled and lapsed during the period.

Note:

Ms. Zhou Xiang Zhen (周祥珍) is the wife of Mr. Zhang San Lin (張三林). By virtue of section 316(1) of the SFO, Ms. Zhou Xiang Zhen (周祥珍) is taken to be interested in the same number of shares in the Company in which Mr. Zhang San Lin (張三林) 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 paragraph headed “INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO”, as at 30 June 2005, 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 Messers. 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 2005.

BOARD PRACTICES AND PROCEDURES

During the periods 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, which applied before the amendment of the GEM Listing Rules relating to the Code on Corporate Governance and Rules on Corporate Governance Report on 1 January 2005. The Code has become effective for accounting periods commencing on or after 1 January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ending 30 September 2006.

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 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 2005.

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.

By Order of the Board
Longlife Group Holdings Limited
Yang Hong Gen (楊洪根)
Chairman

Hong Kong, 12 August 2005

Executive Directors of the Company as at time of approval 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 Chun Ho, Frankie (張晉浩)

Independent non-executive Directors of the Company as at time of approval of this report:

Mr. Yin Jing Le (尹景樂)
Mr. Yu Jie (俞杰)
Mr. Luk Yu King, James (陸宇經)