

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)

Third Quarterly Report 2005/2006



05/06

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 recorded a turnover of approximately HK\$56.84 million for the three months ended 30 June 2006 and approximately HK\$187.192 million for the nine months ended 30 June 2006, representing increases of 27.6% and 19.6%, respectively, over the corresponding periods of 2005.

Loss attributable to shareholders was approximately HK\$5.983 million for the three months ended 30 June 2006 and profit approximately HK\$21.226 million for the nine months ended 30 June 2006, representing decreases of 214.1% and 22.2%, respectively, over the corresponding periods of 2005.

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 2006 together with the comparative unaudited figures for the corresponding periods in 2005, 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 2006 HK\$'000	Three months ended 30 June 2005 HK\$'000	Nine months ended 30 June 2006 HK\$'000	Nine months ended 30 June 2005 HK\$'000
	<i>Notes</i>				
Turnover	2	56,840	44,550	187,192	156,486
Cost of sales		(20,586)	(13,619)	(62,540)	(50,566)
Gross profit		36,254	30,931	124,652	105,920
Other operating income		26	31	885	457
General and administrative expenses		(6,904)	(4,907)	(16,995)	(12,301)
Selling expenses		(33,063)	(20,164)	(85,355)	(64,448)
Other operating expenses		(48)	(27)	(126)	(375)
Net operating (loss)/profit		(3,735)	5,864	23,061	29,253
Finance costs		(423)	(621)	(779)	(1,212)
(Loss)/profit before tax		(4,158)	5,243	22,282	28,041
Tax	3	(1,504)	–	(735)	(762)
Net (loss)/profit for the period		(5,662)	5,243	21,547	27,279
Attributable to:					
Equity holders of the Company		(5,983)	5,243	21,226	27,279
Minority interests		321	–	321	–
		(5,662)	5,243	21,547	27,279
(Loss)/earnings per share	4				
– Basic		(1.2) cents	1.0 cent	4.3 cents	5.5 cents
– Diluted		(1.2) cents	1.0 cent	4.2 cents	5.4 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 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 2005.

In 2004, the Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting period beginning on or after 1 January 2005.

In the current period, the Group has adopted, for the first time, those new HKFRSs which are pertinent to its operations and relevant to these condensed consolidated financial statements. The adoption of the new HKFRSs has no material impact on the Group’s results of operations and financial position, except for the adoption of HKAS 17 as described below.

In the previous periods, land use rights were included in property, plant and equipment and carried at historical cost less subsequent accumulated amortization. Following the adoption of HKAS 17, the land use rights are considered as operating leases, and their unamortized costs are classified as lease prepayments. As required by HKAS 17, a reconciliation between the total of future minimum lease payments at the balance sheet date, and their present value for (1) not later than one year; and (2) later than one year.

The adopting of HKAS 17 has no effect on the consolidated profit and loss account for the three months and nine months ended 30 June 2006.

2. Turnover

Turnover represents the net amounts received and receivable from sales of consumer products and capsules 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 capsules 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 2006 and the comparative figures for the corresponding periods in 2005.

	Three months ended 30 June 2006 HK\$'000	Three months ended 30 June 2005 HK\$'000	Nine months ended 30 June 2006 HK\$'000	Nine months ended 30 June 2005 HK\$'000
Nutrients and health care products	13,980	14,444	58,350	55,837
Body care products	36,014	30,106	121,996	100,649
Capsules	6,846	—	6,846	—
	56,840	44,550	187,192	156,486

3. Income Tax Expenses

	Three months ended 30 June 2006 HK\$'000	Three months ended 30 June 2005 HK\$'000	Nine months ended 30 June 2006 HK\$'000	Nine months ended 30 June 2005 HK\$'000
Tax charge comprises:				
Hong Kong Profit Tax	—	—	6	—
Tax in other regions of the PRC (Outside Hong Kong)				
Charge	1,504	—	3,219	762
Refund	—	—	(2,490)	—
	1,504	—	735	762

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”) 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 2005 and it was entitled a 50% reduction from FEIT commenced on 1 January 2006.

The income tax refund for the period includes (i) the portion of Foreign Enterprise Income Tax paid and refunded by the State Tax Bureau, Xiangcheng District, Suzhou City, the People’s Republic of China 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/(loss) before tax per the income statement as follows:

	Three months ended 30 June 2006 HK\$'000		Three months ended 30 June 2005 HK\$'000		Nine months ended 30 June 2006 HK\$'000		Nine months ended 30 June 2005 HK\$'000	
(Loss)/profit before tax	(4,158)		5,243		22,282		28,041	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tax at domestic statutory tax rate of 24%*	3,008	24	1,258	24	5,347	24	6,730	24
Tax effect of expenses not deductible for tax purpose	-	-	130	2	-	-	281	1
Income tax on concessionary rate	(1,504)	(12)	(1,388)	(26)	(2,128)	(10)	(6,249)	(22)
	1,504	12	-	-	3,219	14	762	3

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

- * The income tax charge for the current quarter is arisen from profit recorded by one of the Group’s subsidiaries.

4. Earnings Per Share

Basic earnings per share

The calculations of basic (loss)/earnings per share for the three months and nine months ended 30 June 2006 are based on the unaudited consolidated net (loss)/profit from ordinary activities attributable to shareholders for the periods of approximately HK\$(5,983,000) and HK\$21,226,000, 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 2005 are based on the unaudited combined 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.

Diluted earnings per share

The calculations of diluted (loss)/earnings per share for the three months and nine months ended 30 June 2006 are based on the results of HK\$(5,983,000) and HK\$21,226,000, respectively and on adjusted number of share of approximately 501,011,324 and 504,153,813 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 2005.

For information only, the calculations of diluted earnings per share for the three months and nine months ended 30 June 2005 are based on the adjusted results of approximately HK\$5,243,000 and HK\$27,279,000, respectively, and on adjusted number of share of 503,712,000 and 505,071,000 ordinary shares that have been in issue throughout the periods, respectively.

5. Share Capital and Reserves

	Number of shares	Par value per share	Amount HK\$'000
<i>A. Movements of authorised share capital</i>			
At 30 June 2005 and 30 June 2006	2,000,000,000	HK\$0.10	200,000
<i>B. Movements of issued share capital</i>			
At 30 June 2005 and 30 June 2006	500,000,000	HK\$0.10	50,000

C. *Movements of reserves are as follows:*

	Attributable to equity holders of the Company						
	Paid in capital/ share capital	Share premium	Special reserve	Translation reserve	Accumulated profits	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2004	50,000	8,145	22,443	-	58,208	-	138,796
Profit for the period	-	-	-	-	27,279	-	27,279
At 30 June 2005	50,000	8,145	22,443	-	85,487	-	166,075
At 1 October 2005	50,000	8,145	22,443	-	83,373	-	163,961
Profit for the period	-	-	-	-	21,226	-	21,226
Exchange differences on translation on consolidation	-	-	-	3,624	-	-	3,624
Minority interests on consolidation	-	-	-	-	-	5,776	5,776
At 30 June 2006	50,000	8,145	22,443	3,624	104,599	5,776	194,587

DIVIDEND

The Board did not recommend the payment of any interim dividend for the periods ended 30 June 2006 (periods ended 30 June 2005: HK\$nil) and proposed that the profit to be retained.

BUSINESS REVIEW

For the nine months ended 30 June, 2006, the overall turnover of the Group increased from HK\$156.486 million to HK\$187.192 million, representing an increase of 19.6% over the corresponding period last year. The boost in the results was attributable to the sales network newly built, as well as the continuous increase of our market shares of the original sales network.

The Group's sales' gross profit margin for the nine months ended 30 June, 2006 was 67%, which had decreased by 1% from that for the nine months ended 30 June, 2005.

With the Company's continuous efforts to expand its sales network and the increase of the sales staff, sales expenses for the three and nine months ended 30 June, 2006 had increased by approximately HK\$12.899 million and HK\$20.907 million to HK\$33.063 million and HK\$85.355 million respectively. Despite the increase of turnover, the sales expense has increased substantially. It's mainly because the Company has focused on clearing up the overdue products, resulting the sales expenses rate of this nine-month period being increased approximately 4.4% as compared to the last period.

During the period under review, due to the continuous expansion of the sales network and the continuous increase in the sales staff, the Company continually employed more finance and management staff correspondingly. Accordingly, administrative expenses for the three and nine months ended 30 June, 2006 increased by approximately HK\$1.997 million and HK\$4.694 million to HK\$6.904 million and HK\$16.995 million respectively, while the general and administrative expenses rate increased to approximately 12% from 11% for the third quarter of the corresponding period last year, and 9% from 8% for the nine months of the corresponding period last year.

Although the Group achieved a comparatively better increase in turnover during this period, there is a substantial raise in sales expenses and management expenses, the Company recorded net loss approximately of HK\$5.983 million for the three months and profit of HK\$21.226 million for the nine months ended 30 June, 2006 respectively, representing a decrease of approximately HK\$11.226 million and HK\$6.053 million respectively comparing the three months and nine months under review with the corresponding periods last year.

In addition, the Company had completed the investment in Xinda Zhongshan Capsules Company Limited (新大中山膠囊有限公司). It contributed a net profit of HK\$0.503 million to the Group (61.11% interests attributable to the Group) in this quarter, and has been consolidated into the Group's results for this period.

BUSINESS PROSPECT

During the three months from April to June of 2006, as the Group has focused on clearing up the overdue products and continued to expand the sales staff, marketing expenses have increased, which lead to an operating loss for the current quarter.

The managements of the Company was aware that the Group should try its best to accelerating integration of the following three aspects, if the Group wishes to become a very fast growing corporation in the function consumer products industry, and make this development strategy to be enforced efficiently and the turnover for the future several years to have a great increase.

1. Be strict with the management of standardization and system control. We believe that enhancing the internal management is an important method to achieve better performance, and Management by Objectives (MBO) was the main instrument to improve internal management. Accelerate bringing in and training of all sorts of excellent talents will provide a strong assurance of effective management. Establishment of standardization and system control was the shortcut of maximizing the management achievement. We are improving management in these aspects right now.
2. Strengthening the exploring and developing of the “Strong Products”, The “Strong Products” are products that have prominent effect, be welcomed to the consumers, be equipped with technology, also be equipped with exclusive technology. The Company is focusing technology power to carry out the work.
3. Exploring new marketing models actively and forming the models which can copy and popularize in large areas, to provide beneficial experience for greatly increasing in sales results.

At present, the Company is carrying out these works in all aspects, and endeavoring to gain a better achievement.

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

As at 30 June 2006, 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 2005	Number of share option exercised or granted during this period	Number of share option outstanding as at 30 June 2006
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 2006, 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 2006, 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 2005	Number of share option exercised or granted during this period	Number of share option outstanding as at 30 June 2006
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 2006, 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 2006, 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 2005	Number of share option exercised or granted during this period	Number of share option outstanding as at 30 June 2006
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 2006, 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 2006.

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

The sponsor agreement dated 1 June 2004 between the Company and CSC Asia Limited (“CSC Asia”) for the appointment of CSC Asia as sponsor of the Company under the GEM Listing Rules was terminated on 30 June, 2006. With effect from 1st July, 2006, First Shanghai Capital Limited (“First Shanghai”) was appointed as the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules.

None of First Shanghai, 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 2006.

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
Chairman

Hong Kong, 14 August 2006

Executive Directors of the Company as at time of approval of this report:

Mr. Yang Hong Gen (楊洪根)
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)

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

Mr. Lo Wing Yat, Kelvin (盧永逸)

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)