



朗力福

Longlife Group Holdings Limited

朗力福集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8037

FIRST QUARTERLY REPORT

06/07

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.

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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\$62,610,000 for the three months ended 31 December 2006, representing increases of 5.8% over the corresponding period of 2005.

Loss attributable to shareholders was approximately HK\$2,500,000 for the three months ended 31 December 2006, representing a decrease of 102.3% over the corresponding period of 2005.



UNAUDITED THREE-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 three months ended 31 December 2006 together with the comparative unaudited figures for the corresponding period 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 31 December	
	<i>Notes</i>	2006	2005
		HK\$'000	HK\$'000
Turnover	2	62,610	59,196
Cost of sales		(22,143)	(17,985)
Gross profit		40,467	41,211
Other operating income		132	651
Administrative expenses		(6,445)	(4,460)
Selling and distribution expenses		(33,830)	(25,748)
Other operating expenses		(30)	(36)
Profit from operations		294	11,618
Finance costs		(390)	(423)
Profit before tax		(96)	11,195
Income tax (expenses)/refund	3	(2,440)	1,270
Net (loss)/profit for the period		(2,536)	12,465
Attributable to:			
Equity holders of the Company		(2,518)	12,465
Minority Interests		(18)	–
		(2,536)	12,465
(Loss)/earnings per share	4		
– Basic		(0.51) cent	2.49 cents
– Diluted		N/A	2.49 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 condensed results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations 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 2006.

2. Turnover

Turnover represents the net amounts received and receivable from sales of consumer products less sales tax and discounts, if any, during the period. Analysis of revenue and turnover during the three months ended 31 December 2006 and the comparative figures for the corresponding period in 2005 are as follows:

	Three months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Nutrients and health care products	10,915	11,726
Body care products	46,859	45,484
Health Supplement Wine	2,121	1,986
Capules	2,715	—
	62,610	59,196



3. Income Tax (Expenses)/Refund

	Three months ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
The income tax expenses/(refund) comprises:		
Tax charge/(refund) in other regions of the PRC	<u>2,440</u>	<u>(1,270)</u>

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.

Taxation arising in PRC is calculated at domestic statutory rate of 24%.

Pursuant to the relevant laws and regulations in the PRC 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. Suzhou Beautiful obtained confirmation from the relevant tax authority that its first profit-making year commenced from 1 January 2004.

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

	Three months ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
(Loss)/profit before tax	<u>(96)</u>	<u>11,195</u>
Tax at domestic statutory tax rate of 24% (2005: 24%)	<u>(4,880)</u>	<u>—</u>
Income tax on concessionary rate	<u>2,440</u>	<u>—</u>
Income tax refund	<u>—</u>	<u>(1,270)</u>
Tax charge/(refund) for the period	<u>2,440</u>	<u>(1,270)</u>

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

4. (Loss)/earnings Per Share

Basic earnings per share

The calculation of basic loss per share for the three months ended 31 December 2006 is based on the unaudited consolidated net loss from ordinary activities attributable to shareholders for the periods of approximately HK\$2,536,000 and on 500,000,000 ordinary shares that have been in issue throughout the period.

For information only, the calculation of basic earnings per share for the three months ended 31 December 2005 is based on the unaudited combined net profit from ordinary activities attributable to shareholders for the period of approximately HK\$12,465,000 and on 500,000,000 ordinary shares that have been in issue throughout the period.

Diluted earnings per share

The diluted earnings per share is not presented for the three months ended 31 December 2006 as the options to subscribe for ordinary shares in the company lapsed on 28 December 2006.

For information only, the calculation of diluted earnings per share for the three months ended 31 December 2005 is based on the adjusted results of HK\$12,465,000, and on adjusted number of share of approximately 501,440,622 ordinary shares that have been issued throughout the period on the assumption that the 50,000,000 share options have been exercised on 1 October 2005.

5. Share Capital and Reserves

	Number of shares	Par value per share	Amount HK\$'000
<hr/>			
A. <i>Movements of authorised share capital</i>			
At 31 December 2005			
and 31 December 2006	2,000,000,000	HK\$0.10	200,000
	<hr/>		<hr/>
B. <i>Movements of issued share capital</i>			
At 31 December 2005			
and 31 December 2006	500,000,000	HK\$0.10	50,000
	<hr/>		<hr/>



C. *Movements of reverses are as follows:*

	Attributable to equity holders of the Company								Total HK\$'000
	Paid in capital/ share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note 1)	Statutory surplus respective fund HK\$'000 (Note 2)	Statutory enterprise respective fund HK\$'000 (Note 3)	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Minority interests HK\$'000	
At 1 October 2005	50,000	8,145	22,443	-	-	-	83,373	-	163,961
Profit for the period	-	-	-	-	-	-	12,465	-	12,465
At 31 December 2005	50,000	8,145	22,443	-	-	-	95,838	-	176,426
At 1 October 2006	50,000	8,145	22,443	3,098	3,098	6,968	77,816	5,406	176,974
(Loss) for the period	-	-	-	-	-	-	(2,518)	(18)	(2,536)
Exchange differences on translation on consolidation	-	-	-	-	-	2,071	-	58	2,129
At 31 December 2006	50,000	8,145	22,443	3,098	3,098	9,039	75,298	5,446	176,567

Note:

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

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

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

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



DIVIDEND

The Board did not recommend the payment of an interim dividend for the period from 1 October 2006 to 31 December 2006 (2005: nil) and proposed that the profit to be retained.

BUSINESS REVIEW

Revenue

Revenue refers to the net amount of the received payment and receivables derived from the sales of consumer products less sales tax and discount, if applicable.

For the three months ended 31 December 2006, aggregate turnover amounted to approximately HK\$62,610,000, representing a rise of approximately HK\$3,400,000, or approximately 5.8%, as compared with the corresponding period last year. It was due to the increase in sales of daily cosmetic products and newly acquired capule business.

Gross Profit

For the three months ended 31 December 2006, gross profit was approximately HK\$40,500,000, which dropped by approximately 1.7%, as compared with approximately HK\$41,200,000 in the corresponding period last year. The gross profit rate for this quarter is 65% and was decreased by 5% comparing the gross profit rate of 70% of the corresponding period. It was attributable to the price competitive strategy adopted by the Group during the period according to which gross profit was forced down in order to boost sales. In addition, scrapping of slow-moving goods as cost of sales also led to the fall in gross margin.

Administrative expenses

Administrative expenses mainly refers to the staff remuneration and benefits, office and traveling expenses. Administrative expenses was approximately HK\$6,445,000 for the three months ended 31 December 2006, increased by 44.5% compared with last year's HK\$4,460,000. Such increase in administrative expenses was mainly due to the expansion of management, financial and administrative team of the Group as to cope with the needs of the enlarged sales network and sales team.

Sales and Distribution expenses

Total Sales and Distribution expenses amounted to approximately HK\$33,800,000 for the three months ended 31 December 2006, which includes mainly the promotion fees and sales service charges as well as sales expense, representing a tremendous increase of HK\$8,100,000, or 31.5%, as compared with last year's HK\$25,700,000. Such increase was mainly due to the rising number of sales personnel, the expansion of sales networking, the launching of new products and the successful marketing of the brand "Longlife" via various media connections.

Net Loss

Net loss amounted to approximately HK\$2,500,000 for the three months ended 31 December 2006, while a profit of HK\$12,465,000 was achieved for the corresponding period last year. Such decrease in net profit was the result of a 5% drop of the rate of products gross margin, a 13% rise in the rate of selling and distribution expenses as well as administrative expenses, plus income tax of HK\$2,400,000 levied after the tax free period of Suzhou Beautiful Biochemistry Co., Ltd. has expired.

PROSPECT AND NEW DEVELOPMENT

In order to thrive in the intensely competitive fast consumer goods industry, the Group commits itself to rationalizing sale network, streamlining the management, focusing on the target to enhance profit, while at the same time, taking the ongoing management reformation one step further, and aiming at nurturing competent sales, research and development teams. The Directors believe that, the timely launching of technologically advanced and popularly demanded products is and the only way for the Group to explore more sales channels and to identify target consumer groups. It also helps establish a solid foundation for later development through effectively boosting the gross margin of the products and enhancing the popularity of the brand among the consumers.

Besides, the Group has been engaging in a fast consumer goods industry, which is booming in recent years, with competition getting more and more fierce year by year. Under this competitive environment, the management anticipates that the respective costs in regard to operation and sales, sales and distribution will continue to rise. Obsolete products will continue to be written off in accordance to the Company's accounting policy.

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

As at 31 December 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	Capacity	Number of ordinary shares	Percentage of the issued share capital of the Company
Yang Hong Gen (楊洪根)	Beneficial owner	280,500,000	56.1%
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%

The share options granted to directors on 28 December, 2004 lapsed on 28 December, 2006.

Save as disclosed above, none of the directors or chief executive of the Company have, as at 31 December 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

As at 31 December 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	Capacity	Number of ordinary shares	Percentage of the 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.

The share options granted to substantial shareholders on 28 December 2004 lapsed on 28 December 2006.

Save as disclosed above and in the paragraph headed “INTERESTS AND SHORT POSITIONS OF OTHER PERSONS”, as at 31 December 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 31 December 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 position in the ordinary shares in the Company

Name	Capacity	Number of ordinary shares	Percentage of the issued share capital of the Company
Zhou Xiang Zhen* (周祥珍)	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.

The share options granted to directors and substantial shareholders on 28 December 2004 lapsed on 28 December 2006.



Save as disclosed above and in the paragraph headed “INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS”, as at 31 December 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 three months ended 31 December 2006.

SPONSOR’S INTERESTS

Pursuant to a compliance adviser agreement dated 8 June 2006 between the Company and First Shanghai Capital Limited (“First Shanghai”), First Shanghai was appointed as the compliance adviser of the Company for the purpose of Chapter 6 of the GEM Listing Rules for the period from 1 July 2006 to 31 December 2006.

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 31 December 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period 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 February 2007

Executive directors of the Company as at date 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 Director:

Mr. Lo Wing Yat, Kelvin (盧永逸)

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

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

