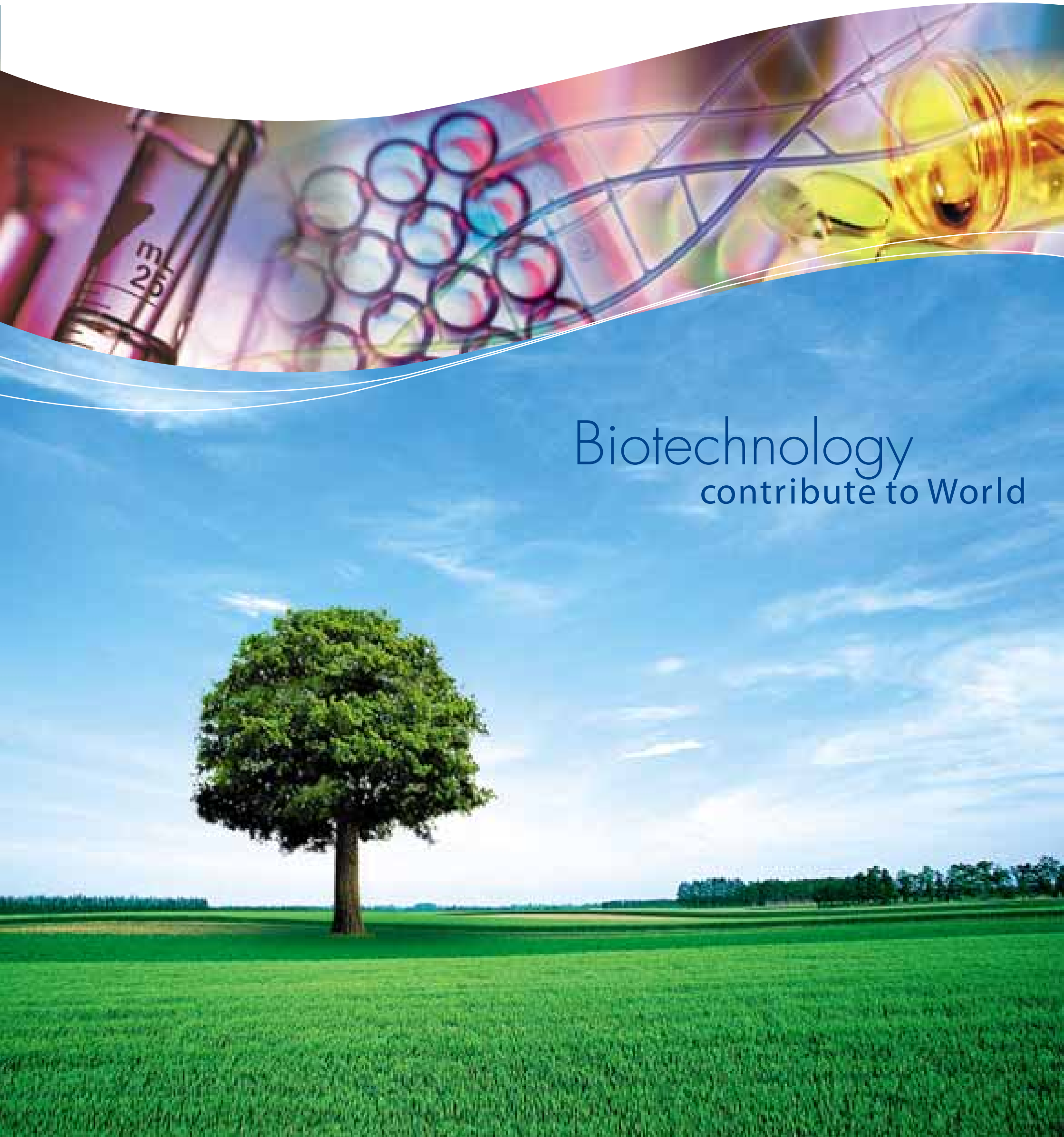
• Third Quarterly Report 2006/07 •

# 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



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*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.*

## 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 2007 together with the comparative unaudited figures for the corresponding periods in 2006, 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.

| | Notes | **Three months ended 30 June 2007 HK$'000** | Three months ended 30 June 2006 HK$'000 | **Nine months ended 30 June 2007 HK$'000** | Nine months ended 30 June 2006 HK$'000 |
|---|---|---|---|---|---|
| Revenue | 2 | **69,795** | 56,840 | **212,534** | 187,192 |
| Cost of sales | | **(23,978)** | (20,586) | **(74,360)** | (62,540) |
| Gross profit | | **45,817** | 36,254 | **138,174** | 124,652 |
| Other operating income | | **149** | 26 | **501** | 885 |
| General and administrative expenses | | **(6,188)** | (6,904) | **(25,159)** | (16,995) |
| Selling expenses | | **(55,461)** | (33,063) | **(121,769)** | (85,355) |
| Other operating expenses | | **(364)** | (48) | **(485)** | (126) |
| Net operating (loss)/profit | | **(16,047)** | (3,735) | **(8,738)** | 23,061 |
| Finance costs | | **(525)** | (423) | **(1,537)** | (779) |
| (Loss)/profit before tax | | **(16,572)** | (4,158) | **(10,275)** | 22,282 |
| Tax | 3 | **(384)** | (1,504) | **(3,141)** | (735) |
| Net (loss)/profit for the period | | **(16,956)** | (5,662) | **(13,416)** | 21,547 |
| Attributable to: | | | | | |
| Equity holders of the Company | | **(16,950)** | (5,983) | **(12,698)** | 21,226 |
| Minority interests | | **(6)** | 321 | **(718)** | 321 |
| | | **(16,956)** | (5,662) | **(13,416)** | 21,547 |
| (Loss)/earnings per share | 5 | | | | |
| – Basic | | **(3.4) cents** | (1.2) cents | **(2.5) cents** | 4.3 cents |
| – Diluted | | **N/A** | (1.2) cents | **N/A** | 4.2 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.

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

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

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

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

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

*Notes:*

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

## 2. Revenue

Revenue, which is also the Group's turnover, represents the net amounts received and receivable from sales of consumer cosmetic, health related products, capsules products and health supplement wine less sales tax and discounts, if any, during the periods.

| | **Three months ended 30 June 2007 HK$'000** | Three months ended 30 June 2006 HK$'000 | **Nine months ended 30 June 2007 HK$'000** | Nine months ended 30 June 2006 HK$'000 |
|---|---|---|---|---|
| Manufacturing and sales of consumer cosmetics | **46,997** | 36,014 | **136,084** | 121,996 |
| Manufacturing and sales of health related products and health supplement wine | **18,619** | 13,980 | **69,492** | 58,350 |
| Manufacturing and sales of capsules products | **4,179** | 6,846 | **6,958** | 6,846 |
| | **69,795** | 56,840 | **212,534** | 187,192 |

## 3. Income Tax Expenses

| | **Three months ended 30 June 2007 HK$'000** | Three months ended 30 June 2006 HK$'000 | **Nine months ended 30 June 2007 HK$'000** | Nine months ended 30 June 2006 HK$'000 |
|---|---|---|---|---|
| Tax charge comprises: | | | | |
| Hong Kong Profits Tax | **–** | – | **–** | 6 |
| Tax in other regions of the People's Republic of China (the "PRC") (Outside Hong Kong) | | | | |
| Charge | **384** | 1,504 | **3,141** | 3,219 |
| Refund | **–** | – | **–** | (2,490) |
| | **384** | 1,504 | **3,141** | 735 |

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 2004 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 (loss)/profit before tax per the income statement as follows:

| | **Three months ended 30 June 2007 HK$'000** | | Three months ended 30 June 2006 HK$'000 | | **Nine months ended 30 June 2007 HK$'000** | | Nine months ended 30 June 2006 HK$'000 | |
|---|---|---|---|---|---|---|---|---|
| (Loss)/profit before tax | **(16,572)** | | (4,158) | | **(10,275)** | | 22,282 | |
| | **HK$'000** | **%** | HK$'000 | % | **HK$'000** | **%** | HK$'000 | % |
| Tax at domestic statutory tax rate of 24%* | **(3,977)** | **24** | 3,008 | 24 | **(2,466)** | **24** | 5,347 | 24 |
| Tax effect of expenses not deducible for tax purpose | **4,745** | **(28)** | – | – | **3,868** | **(38)** | – | – |
| Income tax on concessionary rate | **(384)** | **2** | (1,504) | (12) | **1,739** | **(17)** | (2,128) | (10) |
| | **384** | **(2)** | 1,504 | 12 | **3,141** | **(31)** | 3,219 | 14 |

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

* *The income tax charge for the period is arised from profit recorded by one of the Group's subsidiaries.*

## 4. (Loss)/Earnings Per Share

***Basic (loss)/earnings per share***

The calculations of basic loss per share for the three months and nine months ended 30 June 2007 are based on the unaudited consolidated net loss from ordinary activities attributable to shareholders for the periods of approximately HK$16,950,000 and HK$12,698,000, respectively and on 500,000,000 ordinary shares that have been in issue throughout the periods.

The calculations of basic (loss)/earnings per share for the three months and nine months ended 30 June 2006 are based on the unaudited combined net (loss)/profit from ordinary activities attributable to shareholders for the periods of approximately HK$5,983,000 (loss) and HK$21,226,000 (profit), respectively and on 500,000,000 ordinary shares that have been in issue throughout the periods.

***Diluted (loss)/earnings per share***

The calculations of diluted loss per share is not presented for the three months and nine months ended 30 June 2007 as the share options which were lapsed in December 2006, had an anti-dilative effect on the basic 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 adjusted results of approximately HK$5,983,000 (loss) and HK$21,226,000 (profit), respectively, and on adjusted number of share of 501,011,324 and 504,153,813 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 |
| ***A. Movement of authorised share capital*** | | | |
| At 30 June 2006 and 30 June 2007 | 2,000,000,000 | HK$0.10 | 200,000 |
| ***B. Movement of issued share capital*** | | | |
| At 30 June 2006 and 30 June 2007 | 500,000,000 | HK$0.10 | 50,000 |

## C. *Movements of reserves are as follows:*

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Special reserve HK$'000 (Note 1) | Statutory surplus reserve fund HK$'000 | Statutory enterprise expansion fund HK$'000 (Note 2) | Exchange reserve HK$'000 | Accumulated profits HK$'000 (Note 3) | Total HK$'000 | Minority interests HK$'000 | Total equity HK$'000 |
| At 1 October 2005 (Audited) | 50,000 | 8,145 | 22,443 | – | – | – | 83,373 | 163,961 | – | 163,961 |
| Exchange differences arising on translation of foreign operations (Unaudited) | – | – | – | – | – | 3,624 | – | 3,624 | – | 3,624 |
| Minority interests on consolidation (Unaudited) | – | – | – | – | – | – | – | – | 5,776 | 5,776 |
| Profit for the period (Unaudited) | – | – | – | – | – | – | 21,226 | 21,226 | – | 21,226 |
| At 30 June 2006 (Unaudited) | 50,000 | 8,145 | 22,443 | – | – | 3,624 | 104,599 | 188,811 | 5,776 | 194,587 |
| At 1 October 2006 (Audited) | **50,000** | **8,145** | **22,443** | **3,098** | **3,098** | **6,968** | **77,816** | **171,568** | **5,406** | **176,974** |
| Exchange differences arising on translation of foreign operations (Unaudited) | **–** | **–** | **–** | **–** | **–** | **2,960** | **–** | **2,960** | **140** | **3,100** |
| Minority interests on consolidation (Unaudited) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(718)** | **(718)** |
| Loss for the period (Unaudited) | **–** | **–** | **–** | **–** | **–** | **–** | **(12,698)** | **(12,698)** | **–** | **(12,698)** |
| At 30 June 2007 (Unaudited) | **50,000** | **8,145** | **22,443** | **3,098** | **3,098** | **9,928** | **65,118** | **161,830** | **4,828** | **166,658** |

*Notes:*

1. Special reserve represents the difference between the paid-up capital and share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

2. Pursuant to Articles of Association of Suzhou Longlifu which became effective on 16 February 2003, the management of Suzhou Longlifu could transfer the net profit to the statutory surplus reserve fund on a discretionary basis.

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

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

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

## DIVIDEND

The Board did not recommend the payment of any interim dividend for the periods ended 30 June 2007 (periods ended 30 June 2006: nil) and proposed that the profit to be retained.

## SHARE OPTION

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

## BUSINESS REVIEW

### Revenue

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

For the nine months and three months ended 30 June 2007, the turnover of the Group was approximately HK$212,534,000 and HK$69,795,000, respectively. In comparison, sales for the same periods ended 30 June 2006 (the "Corresponding Periods") were approximately HK$187,192,000 and HK$56,840,000, respectively. Sales increased by approximately HK$25,342,000 and HK$12,955,000 or 14% and 23%, respectively. The boost in sales was attributable to the increase in sales of consumer cosmetic products by recruiting more front-line sales staff to promote products and launch various promotional activities and the increase in turnover contributed by Zhejiang Xinda Zhongshan Capsules Company Limited（浙江新大中山膠囊有限公司）, a subsidiary acquired last year.

### Gross profit

For the nine months and three months ended 30 June 2007, the gross profit of the Group was approximately HK$138,174,000 and HK$45,817,000, respectively, representing increases of approximately HK$13,522,000 and HK$9,563,000 or approximately 11% and 26%, respectively, from approximately HK$124,652,000 and HK$36,254,000 for the Corresponding Periods. Gross profit margin for the nine months ended 30 June 2007 was approximately 65.0%, which has decreased by 1.6% from 66.6% for the corresponding period last year. The decrease in gross margin was mainly due to the rising prices of raw materials and the adoption of aggressive pricing policy under intense market competition to boost sales. The increase in costs such as labour costs and social security was also a direct contributor to the lowered margin.

### General and administrative expenses

General and administrative expenses mainly refer to the remuneration and benefits for the Management and staff, office, administrative expenses and traveling expenses. General and administrative expenses for the nine months and three months ended 30 June 2007 was approximately HK$25,159,000 and HK$6,188,000, representing an increase of approximately HK$8,164,000 and a decrease of approximately HK$716,000 or an increase of approximately 48% and a drop of approximately 10%, respectively, from approximately HK$16,995,000 and HK$6,904,000 for the Corresponding Periods. The higher general and administrative expenses for the nine months ended 30 June 2007 were due to the increase in remuneration for administrative staff, costs of social security funds and the research and development costs of information management systems. On the other hand, the decease in general and administrative expenses for the latest three months was due to effective cost control carried out by the management.

### Selling expenses

Selling expenses mainly represent advertising expenses, marketing costs, sales commission, and sales staff costs. For the nine months and three months ended 30 June 2007, selling expenses were approximately HK$121,769,000 and HK$55,461,000, which significantly increased by approximately HK$36,414,000 and HK$22,398,000 or 43% and 68%, respectively, from approximately HK$85,355,000 and HK$33,063,000 for the Corresponding Periods. The increased selling expenses were mainly attributable to the addition of front-line sales staff to boost sales under intense market competition, the expansion of sales networks, the launch of new products and the increased advertising expenses, which caused a surge in remuneration of sales staff and costs of market penetration.

### Profit/(loss) after tax

For the nine months and three months ended 30 June 2007, the profit/(loss) after tax of the Group recorded losses of approximately HK$13,416,000 and HK$16,956,000, as compared with the profit of approximately HK$21,547,000 and the loss of approximately HK$5,662,000 for the Corresponding Periods, respectively. The loss was mainly due to fierce competition from similar products in the markets. The overall gross margin dropped by 1.6%, while selling and distribution expenses and administrative expenses increased by 43% and 48% respectively. Under rapidly-changing market conditions, the relatively simple sales model made it less flexible to market changes. Higher marketing expenses were incurred due to ineffective remedial measures..

In view of the above, during the past nine months, to maintain its sales performance and its market position, the Group allocated much of its resources for the establishment and management of sales networks, the improvement of training for the front-line sales teams and the enhancement of the quality and image of its products.

The Group believes that the rising costs of raw materials of cosmetics, marketing expenses and narrowing gross margins were mainly due to the increase of competitors, introduction of more similar products from its rivals and the shortened product life cycle as consumers always looked for new products. To cope with such situation, the Group tightened its control on marketing expenses and enhanced the image of its products. In the past nine months, the advertising expenses incurred in Jiangsu, Zhejiang and Shanghai was over HK$4 million. To satisfy the customers' demand, besides the launch of 8 major featured products (such as Floral Shampoo（鮮花洗髮露）、Floral Body Wash（鮮花沐浴露）、Advanced Scalp Controlling Shampoo（去屑調理洗髮露）、Yi Ren Fung Cai Gift Set（伊人風采禮盒）), the Group also changed the packaging of 12 existing products and the bottle shapes of 11 products and the ingredients of 5 major products.

To lower the increasing selling expenses, the Group has tightened up its control over the electronic information management systems in the first half of the year and developed its own approval and control software to exercise real-time expenses approval and control of each sales point all over the PRC. The Directors believe that the above measures will benefit the Group's performance in the long run. However, as the system was still at preliminary stage in the past nine months, the effects were yet to be realised.

## PROSPECTS

In the next few years, the Group will face challenges from stronger market competition as well as rising labour costs and expenses.

The intensifying competition of the consumer products industry and the rising raw material costs will further narrow the gross margin of the Group. The new labour law to be enacted on 1 January 2008 will also bring new difficulties and challenges to the internal management of the Group (such as labour disputes, higher social security expenses and staff costs) in the next few years. The Group, whose development has already been hampered by narrow profit margin and business rationalisation, will bear heavier burdens as a result.

Under such unfavourable market environment, the Group will consolidate its existing business platforms while further tighten its cost control by lowering market expenditures and closing sales points with low profitability for higher sales effectiveness. At the same time, the Group will endeavour to launch new products with high technology and economic values through the existing sales network to boost sales and gross profit margin of the Group. However, economic benefits of these measures will only be fully realised over a period of time.

At the same time, the Group will strengthen its control over the management, supervision and corporate governance of its wholly-owned and non-wholly-owned subsidiaries for their healthy development.

The Group believes that the next couple of years will be the years for Longlife to carry out its strategic consolidation and rationalisation. The Group will continue to explore new sales model and business prospect with a view to creating values for its shareholders, the society and its staff. However, due to the severe market environment, Longlife may appeal to its investors for their patience as more time is required for Longlife to improve its internal framework and business.

The Directors are confident that our targets will be achieved with our perseverance and diligence.

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

As at 30 June 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Future Ordinance ("SFO")) which require notification to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which are required pursuant to section 352 of the SFO or which are required, pursuant to rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

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

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

Save as disclosed above, none of the directors or chief executive of the Company have, as at 30 June 2007, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which require notification to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which are required pursuant to section 352 of the SFO or which are required, pursuant to rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange.

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

As at 30 June 2007, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, save as disclosed in the paragraph headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" in this report, the followings person had interest or short positions 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 |
|---|---|---|---|
| Yang Hong Gen（楊洪根） | Beneficial owner | 145,500,000 | 29.1% |
| Bao Xiao Mei(1)（包小妹） | Interest of spouse of Mr. Yang Hong Gen who is a beneficial owner | 145,500,000 | 29.1% |
| China Medical Device Group Limited(2) | Beneficial owner | 135,000,000 | 27.0% |
| Zheng Lixin(2)（鄭立新） | Through a controlled corporation | 135,000,000 | 27.0% |

*Notes:*

(1) *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.*

(2) *China Medical Device Group Limited holds 135,000,000 ordinary shares of the Company. The issued share capital of China Medical Device Group Limited is wholly owned by Mr. Zheng Lixin. Mr. Zheng Lixin was deemed to be interested in 135,000,000 ordinary shares of the Company by virtue of its interest in China Medical Device Group Limited.*

Save as disclosed above and in the paragraph headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" and "INTERESTS AND SHORT POSITIONS OF OTHER PERSONS", as at 30 June 2007, the Company has not been notified by any person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## INTERESTS AND SHORT POSITIONS OF OTHER PERSONS

As at 30 June 2007, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, save as disclosed in the paragraph headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" and "INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO" in this report, the following persons had interests or short positions 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 of shareholder | Capacity | Number of ordinary shares | Percentage to total issued share capital of the Company |
|---|---|---|---|
| Zhou Xiang Zhen(1) （周祥珍） | Interest of spouse of Mr. Zhang San Lin who is a beneficial owner | 25,000,000 | 5.0% |
| CITIC International Assets Management Limited(2) | Beneficial owner | 31,500,000 | 6.3% |
| CITIC International Financial Holdings Limited(2) | Through a controlled corporation | 31,500,000 | 6.3% |
| CITIC Group(2) | Through a controlled corporation | 31,500,000 | 6.3% |

*Note:*

(1) 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.

(2) 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 "DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" and "INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO", as at 30 June 2007, the Company has not been notified by any person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## 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 2007.

## 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**
**Yao Feng**
*Chairman*

Hong Kong, 14 August 2007

*Executive Directors of the Company as at date of this report:*
Mr. Yao Feng（姚鋒）
Mr. Zhang San Lin（張三林）
Mr. Yang Shun Feng（楊順峰）
Mr. Sha Hai Bo（沙海波）

*Non-executive Director of the Company as at date of this report:*
Mr. Lo Wing Yat, Kelvin（盧永逸）

*Independent Non-executive Directors of the Company as at date of this report:*
Mr. Yin Jing Le（尹景樂）
Mr. Yu Jie（俞杰）
Mr. Luk Yu King, James（陸宇經）