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 2008

Healthy life
happy life

## 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.*

## UNAUDITED THREE-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 ended 31 December 2007 together with the comparative unaudited figures for the corresponding period in 2006 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** | |
|---|---|---|---|
| | | **2007** | **2006** |
| | *Notes* | *HK$'000* | *HK$'000* |
| Revenue | *2* | 68,735 | 62,610 |
| Cost of sales | | (21,913) | (22,143) |
| Gross profit | | 46,822 | 40,467 |
| Other operating income | | 38 | 132 |
| General and administrative expenses | | (5,940) | (6,445) |
| Selling expenses | | (40,888) | (33,830) |
| Other operating expenses | | (80) | (30) |
| Net operating profit/(loss) | | (48) | 294 |
| Finance costs | | (605) | (390) |
| Loss before tax | | (653) | (96) |
| Tax | *3* | (1,706) | (2,440) |
| Net loss for the period | | (2,359) | (2,536) |
| Attributable to: | | | |
| Equity holders of the Company | | (2,510) | (2,518) |
| Minority interests | | 151 | (18) |
| | | (2,359) | (2,536) |
| Loss per share | *4* | | |
| – Basic | | (0.48) cents | (0.50) cents |
| – Diluted | | N/A | N/A |

*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 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 ("HKAS") and Interpretations ("Int") 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 2007 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 2007.

In the current period, 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 2007. The adoption of these new HKFRSs has no material effect on how the results for the current or prior accounting year have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new or revised HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented.

| | |
|---|---|
| HKAS 1 (Revised) | Revised Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC)-Int 12 | Service Concession Arrangements[2] |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes[3] |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2] |

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 January 2008.
3 Effective for annual periods beginning on or after 1 July 2008.

**2. Revenue**

Revenue, which is also the Group's turnover, represents the net amounts received and receivable from sales of goods less sales tax and discounts, if any, during the periods.

| | **Three months ended 31 December** | |
|---|---|---|
| | **2007** | **2006** |
| | *HK$'000* | *HK$'000* |
| Manufacturing and sales of consumer cosmetics | 48,886 | 46,859 |
| Manufacturing and sales of health related products | 12,815 | 10,915 |
| Manufacturing and sales of capsules products | 5,962 | 2,715 |
| Manufacturing and sales of health supplement wine | 1,072 | 2,121 |
| | 68,735 | 62,610 |

### 3. Income Tax Expenses

| | Three months ended 31 December | |
|---|---|---|
| | **2007** | **2006** |
| | *HK$'000* | *HK$'000* |
| The amount comprises: | | |
| Hong Kong profits tax – Current period | – | – |
| Taxation arising in other region of the People's Republic of China (the "PRC") – Current period | 1,706 | 2,440 |
| | 1,706 | 2,440 |

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Group did not have any assessable profit in Hong Kong for the periods.

Taxation arising in the PRC is calculated at the rates prevailing in the relevant jurisdiction.

The domestic income tax rate of 24% represents the PRC Foreign Enterprise Income Tax of which the Group's operations are substantially based.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries of the Company in the PRC are exempted from PRC Enterprise Income Tax for two years starting from the first profit making year in which profits exceed any carried forward tax losses followed by a 50% tax relief for PRC Enterprise Income Tax for the following three years.

The income tax expense for the periods can be reconciled to the loss before tax per the condensed consolidated income statement as follows:

| | Three months ended 31 December | |
|---|---|---|
| | **2007** | **2006** |
| | *HK$'000* | *HK$'000* |
| Loss before tax | (653) | (96) |

| | Three months ended 31 December | | | |
|---|---|---|---|---|
| | **2007** | | **2006** | |
| | *HK$'000* | *%* | *HK$'000* | *%* |
| Tax at domestic statutory tax rate of 24% | (157) | 24.0 | (23) | 24.0 |
| Tax effect of expenses not deducible for tax purposes including tax loss not recognised | 3,249 | (497.5) | 4,903 | (5,107.2) |
| Tax effect of income not taxable for tax purposes | (5) | 0.8 | – | – |
| Reduction of tax to concessionary rate | (1,381) | 211.5 | (2,440) | 2,541.6 |
| Income tax expense for the period | 1,706 | (261.2) | 2,440 | (2,541.6) |

No provision for deferred taxation has been recognised in the condensed 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 Per Share

*Basic loss per share*

The calculations of basic loss per share for the three months ended 31 December 2007 are based on the unaudited consolidated net loss from ordinary activities attributable to shareholders for the period of approximately HK$2,510,000 on 523,234,783 ordinary shares, being the weighted average number of shares in issue during the period.

The calculations of basic loss per share for the three months ended 31 December 2006 are based on the unaudited consolidated net loss from ordinary activities attributable to shareholders for the period of approximately HK$2,518,000 on 500,000,000 ordinary shares in issue during the period.

*Diluted loss per share*

No diluted loss per share have been presented for the period ended 31 December 2007 as there was no dilutive potential ordinary share for the period.

The calculations of diluted loss per share is not presented for the three months ended 31 December 2006 as the share options which were lapsed in December 2006, had an anti-dilative effect on the basic loss per share.

## 5. Share Capital and Reserves

| | Number of shares | Par value per share | Amount *HK$'000* |
|---|---|---|---|
| *A. Movement of authorised share capital* | | | |
| At 31 December 2006 (unaudited) and 31 December 2007 (unaudited) | 2,000,000,000 | HK$0.10 | 200,000 |
| *B. Movement of issued share capital* | | | |
| At 31 December 2006 (unaudited) and 30 September 2007 (audited) | 500,000,000 | HK$0.10 | 50,000 |
| Issue of new shares (unaudited) | 33,400,000 | HK$0.10 | 3,340 |
| At 31 December 2007 (unaudited) | 533,400,000 | HK$0.10 | 53,340 |

C. *Movements of reserves are as follows:*

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Special reserve | Statutory surplus reserve fund | Statutory enterprise expansion fund | Exchange reserve | Accumu-lated profits | Total | Minority interests | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* *(Note 1)* | *HK$'000* *(Note 2)* | *HK$'000* *(Note 3)* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 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) | – | – | – | – | – | 2,071 | – | 2,071 | 58 | 2,129 |
| Loss for the period (Unaudited) | – | – | – | – | – | – | (2,518 ) | (2,518 ) | (18 ) | (2,536 ) |
| At 31 December 2006 (Unaudited) | 50,000 | 8,145 | 22,443 | 3,098 | 3,098 | 9,039 | 75,298 | 171,121 | 5,446 | 176,567 |
| At 1 October 2007 (Audited) | 50,000 | 8,145 | 22,443 | 15,479 | 3,098 | 14,748 | 27,060 | 140,973 | 5,712 | 146,685 |
| Issue of new shares (Unaudited) | 3,340 | 7,682 | – | – | – | – | – | 11,022 | – | 11,022 |
| Share issue expenses (Unaudited) | – | (345 ) | – | – | – | – | – | (345 ) | – | (345 ) |
| Exchange differences arising on translation of foreign operations (Unaudited) | – | – | – | – | – | 4,720 | – | 4,720 | 197 | 4,917 |
| Loss for the period (Unaudited) | – | – | – | – | – | – | (2,510 ) | (2,510 ) | 151 | (2,359 ) |
| At 31 December 2007 (Unaudited) | 53,340 | 15,482 | 22,443 | 15,479 | 3,098 | 19,468 | 24,550 | 153,860 | 6,060 | 159,920 |

*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 the Articles of Association of certain of the Company's subsidiaries in PRC, those subsidiaries should transfer not less than 10% of net profit to the statutory surplus reserve fund, while the rest of the Company's PRC subsidiaries can make appropriation of 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 those PRC subsidiaries.

3. Pursuant to the Articles of Association of certain subsidiaries of the Company in PRC, those subsidiaries can make appropriation of 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 those subsidiaries by means of capitalisation.

## 6. Capital Risk Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

During three months ended 31 December 2007, the Group's strategy, which was unchanged from last year, was to maintain the gearing ratio within a reasonable range. The gearing ratio based on unaudited financial information at 31 December 2007 was 1% (31 December 2006: 5%).

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group is not subject to externally imposed capital requirements.

## 7. Capital Commitments

| | **(Unaudited) 31 December** | |
|---|---|---|
| | **2007** | **2006** |
| | *HK$'000* | *HK$'000* |
| Capital commitments contracted for but not provided in the condensed financial statements in respect of: | | |
| – construction in progress | 2,752 | – |
| Capital commitment authorised but not contracted for in respect of: | | |
| – investment in a subsidiary | 40,000 | – |

## DIVIDENDS

The directors of the Company have resolved not to recommend the payment of any interim dividend for the period ended 31 December 2007 (period ended 31 December 2006: nil).

## SHARE OPTION

No share option was granted, exercised, expired or lapsed under the share option scheme approved on 26 May 2004 (the "Scheme") during the period.

## BUSINESS REVIEW

### Revenue

For the three months ended 31 December 2007, the Group recorded a sales of approximately HK$68,735,000, an increase of approximately HK$6,125,000 and approximately 9.8% over the corresponding period of last year. Growth in sales was attributed to the rapid growth in nutritional business and capsule business.

### Gross Profit

For the three months ended 31 December 2007, the Group recorded a gross profit of approximately HK$46,822,000, an increase of HK$6,355,000 and approximately 15.7% compared to approximately HK$40,467,000 over the corresponding period of last year. The gross margin was approximately 68.1%, a growth of 5.4% compared to 64.6% over the corresponding period of last year. The growth in gross margin was attributed to reduction in costs of products due to the Group's strict control over purchasing and production expenses, as well as improved inventory management.

### Administrative Expenses

For the three months ended 31 December 2007, administrative expenses was approximately HK$5,940,000, a decrease of approximately HK$505,000 and approximately 7.8% compared to approximately HK$6,445,000 over the corresponding period of last year. The decrease of administrative expenses in the three months was principally a result of the effective cost control measures at the headquarter.

### Selling and Distribution Expenses

For the three months ended 31 December 2007, selling and distribution expenses was approximately HK$40,888,000, an increase of approximately HK$7,058,000 and approximately 20.9% compared to HK$33,830,000 over the corresponding period of last year. The increase in selling and distribution expenses was principally attributed to the Company's increased expenditure intended to increase sales in the increasingly competitive market. These expenses included the increase in salaries, social insurance and benefits due to the significant expansion of front-line sales reps; coupled with the significant increase in promotion and listing costs in order to strengthen sales networks and to launch new products.

**Net Loss**

For the three months ended 31 December 2007, the Group recorded a loss of approximately HK$2,359,000, compared to the loss of approximately HK$2,536,000 over the corresponding period of last year. Factors attributing to the loss included: the lack of competitiveness due to product similarity, an increase of 20.9% (an increase of approximately HK$7,058,000) in selling and distribution expenses over the corresponding period of last year, as well as the effect of the new sales strategy adopted by the Group in the period was not immediately shown.

## PROSPECTS

**Further Streamlining & Strengthening Consumer Product Business**

The Company will continue implementing its strategy of "streamlining and strengthening the consumer product business". It will assess the effectiveness of various sales points nationwide and the contribution from each existing products, then reduce the ineffective sales points and products while increasing resources in profitable locations and products. With higher gross profit, it is feasible and expected to cover the increasing human resources expenses. In order to inspire the staff properly to meet the profit targets in the year of 2008, the consumer product business will be reviewed and appraised independently.

**Tightening Control over Capsule Business**

The Company will continue to dispatch more management staff to Xinda Zhongshan Capsules and tighten financial control over this subsidiary, to further introduce modern management practice and corporate governance into the company. In 2008, the Company will continue to explore the opportunity of technical innovation and new product development at the right time as the capsule industry is undergoing upgrading, in order to make this subsidiary a competitive and growing player.

**Rapidly developing the Dental Business**

With substantial effort made between October and December 2007, the Company has successfully established Jiangsu Longlife Special Equipment Technology Co., Ltd., a wholly-owned subsidiary of the Longlife Group. Up to date, this subsidiary already has more than 20 technical and management professionals managing multiple initiatives such as ceramic braces, dental chairs, and trading agency for dental material and equipment. In 2008, this company will formally register and set up relevant subsidiaries swiftly, establish commercial alliance and acquire relevant industry assests. It will strive to succeed in all major sub-sectors of dental industry including: oral consumer products, clinical dental products and industrial dental products. Eventually, it will strive to become an integrated group in China's dental industry.

The Directors believe that with the support from shareholders, relevant parties in the society and all employees, the Company will accomplish its objectives in restructuring, upgrading and take off successfully.

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

At 31 December 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 |
|---|---|---|---|
| Zheng Lixin[(1)] (鄭立新) | Through a controlled corporation | 135,000,000 | 25.3% |
| Zhang San Lin (張三林) | Beneficial owner | 25,000,000 | 4.7% |
| Yang Shun Feng (楊順峰) | Beneficial owner | 10,000,000 | 1.9% |
| Yao Feng (姚鋒) | Beneficial owner | 10,000,000 | 1.9% |

*Note:*

(1) 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, none of the Directors of the Company have, as at 31 December 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 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 31 December 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 following person had an interest or short positions in the shares in 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 | 27.3% |
| Bao Xiao Mei[(1)] (包小妹) | Interest of spouse of Mr. Yang Hong Gen who is a beneficial owner | 145,500,000 | 27.3% |
| China Medical Device Group Limited[(2)] | Beneficial owner | 135,000,000 | 25.3% |

*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. Interests of Mr. Zheng Lixin was disclosed in "DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES".

Save as disclosed above and in the paragraphs headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" and "INTERESTS AND SHORT POSITIONS OF OTHER PERSONS", as at 31 December 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 in 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 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 an interest or short position in the shares in 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 |
|---|---|---|---|
| CITIC International Assets Management Limited[1] | Beneficial owner | 31,500,000 | 5.9% |
| CITIC International Financial Holdings Limited[1] | Through a controlled corporation | 31,500,000 | 5.9% |
| CITIC Group[1] | Through a controlled corporation | 31,500,000 | 5.9% |

*Note:*

(1) 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 paragraphs 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 31 December 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. During the period from 1 October 2007 to 30 November 2007, the audit committee of the Company comprises three independent non-executive Directors. Messrs. Yin Jing Le, Yu Jie and Luk Yu King, James. On 30 November 2007, Mr. Luk Yu King, James resigned as independent non-executive Director and member of audit committee of the Company. Mr. Chong Cha Hwa was appointed as independent non-executive Director and member of audit committee of the Company on 3 December 2007.

The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and half-yearly report and to provide advice and comment thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process, internal control and risk evaluation procedures of the Group.

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 2007.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

None of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

By Order of the Board
**Longlife Group Holdings Limited**
**Zheng Lixin**
*Chairman*

Hong Kong, 14 February 2008

*Executive Directors of the Company as at date of this report:*
Mr. Zheng Lixin (鄭立新), Mr. Yang Shun Feng (楊順峰), Mr. Zhang San Lin (張三林), Mr. Yao Feng (姚鋒), Dr. Seet Lip Chai (薛立財), 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. Chong Cha Hwa (張家華)