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

Interim 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.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The board of directors (the "Board" or 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 six months ended 31 March 2008 together with the comparative unaudited figures for the corresponding periods ended 31 March 2007, prepared in accordance with Hong Kong Financial Reporting Standards and 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 March		Six months ended 31 March	
		2008	**2007**	**2008**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*2*	87,292	80,129	156,027	142,739
Cost of sales		(29,439)	(28,239)	(51,352)	(50,382)
Gross profit		57,853	51,890	104,675	92,357
Other income		176	220	214	352
Administrative expenses		(7,302)	(12,526)	(13,242)	(18,971)
Selling and distribution expenses		(49,412)	(32,478)	(90,300)	(66,308)
Other expenses		(306)	(91)	(386)	(121)
Profit from operations	*4*	1,009	7,015	961	7,309
Finance costs	*5*	(849)	(622)	(1,454)	(1,012)
Profit/(loss) before tax		160	6,393	(493)	6,297
Income tax expenses	*6*	(323)	(317)	(2,029)	(2,757)
Net profit/(loss) from ordinary activities		(163)	6,076	(2,522)	3,540
Attributable to:					
Equity holders of the Company		(510)	6,770	(3,020)	4,252
Minority interests		347	(694)	498	(712)
		(163)	6,076	(2,522)	3,540
Dividends	*7*	–	–	–	–
Earnings/(loss) per share	*8*				
– Basic		(0.10) cents	1.35 cents	(0.57) cents	0.85 cents
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) As at 31 March 2008 HK$'000	(Audited) As at 30 September 2007 HK$'000
NON-CURRENT ASSETS			
Goodwill		5,525	5,525
Property, plant and equipment		52,229	50,197
Prepaid lease payments		16,668	15,236
Deposit paid for acquisition of property, plant and equipment		–	–
		74,422	70,958
CURRENT ASSETS			
Prepaid lease payments		555	517
Inventories		92,308	91,394
Trade and bills receivables	9	60,232	43,356
Prepayments and other receivables		25,864	17,598
Tax recoverable		–	474
Pledged bank deposits		5,939	9,615
Bank balances and cash		24,744	11,125
		209,642	174,079
CURRENT LIABILITIES			
Trade and bills payables	10	29,535	33,447
Other payables and accruals		52,854	34,552
Bank borrowings – due within one year		28,828	26,850
Amount due to a minority shareholder		66	2,005
Amount due to a shareholder		2,369	1,498
Amount due to a director	11	500	–
Tax payable		281	–
		114,433	98,352
NET CURRENT ASSETS		95,209	75,727
TOTAL ASSETS LESS CURRENT LIABILITIES		169,631	146,685
NON-CURRENT LIABILITY			
Bank borrowings – due after one year		–	–
		169,631	146,685

	(Unaudited) As at 31 March 2008 *HK$'000*	**(Audited) As at 30 September 2007** *HK$'000*
CAPITAL AND RESERVES		
Share capital	53,340	50,000
Reserves	109,648	90,973
Equity attributable to equity holders of the Company	162,988	140,973
Minority interests	6,643	5,712
	169,631	146,685

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 March 2008

	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* *(Note 2)*	**Statutory enterprise expansion fund** *HK$'000* *(Note 3)*	**Exchange reserve** *HK$'000*	**Accumu-lated profits** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'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)	–	–	–	–	–	2,960	–	2,960	140	3,100
Profit for the period (Unaudited)	–	–	–	–	–	–	4,252	4,252	(712)	3,540
At 31 March 2007 (Unaudited)	50,000	8,145	22,443	3,098	3,098	9,928	82,068	178,780	4,834	183,614
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 expense (Unaudited)	–	(345)	–	–	–	–	–	(345)	–	(345)
Exchange differences arising on translation of foreign operations (Unaudited)	–	–	–	–	–	14,358	–	14,358	433	14,791
Loss for the period (Unaudited)	–	–	–	–	–	–	(3,020)	(3,020)	498	(2,522)
At 31 March 2008 (Unaudited)	53,340	15,482	22,443	15,479	3,098	29,106	24,040	162,988	6,643	169,631

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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 31 March	
	2008	**2007**
	HK$'000	*HK$'000*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(12,413)	(9,586)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	2,533	(5,471)
NET CASH INFLOW FROM FINANCING ACTIVITIES	12,655	952
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,775	(14,105)
Cash and cash equivalents at beginning of period	11,125	28,760
Effect of foreign exchange rate changes	10,844	2,147
CASH AND CASH EQUIVALENTS AT END OF PERIOD	24,744	16,802

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 consumer cosmetic, health related products, capsules products and health supplement wine less sales tax and discounts, if any, during the periods. The Group is mainly operates in the People's Republic of China (the "PRC"). In addition, the identifiable assets of the Group are located in the PRC. Accordingly, no analysis by geographical area of operations are presented.

Income Statement

	Manufacturing and sales of consumer cosmetic (Unaudited) Six months ended 31 March		Manufacturing and sales of health related products (Unaudited) Six months ended 31 March		Manufacturing and sales of capsules products (Unaudited) Six months ended 31 March		Manufacturing and sales of health supplement wine (Unaudited) Six months ended 31 March		Consolidated (Unaudited) Six months ended 31 March	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	89,076	89,087	47,047	42,357	12,316	2,779	7,588	8,516	156,027	142,739
Segment results	10,053	12,228	5,582	(1,314)	1,950	(1,593)	1,394	682	18,979	10,003
Other income									214	352
Unallocated corporate expenses									(18,232)	(3,046)
Finance costs									(1,454)	(1,012)
(Loss) profit before taxation									(493)	6,297
Income tax expenses									(2,029)	(2,757)
Net (loss) profit from ordinary activities									(2,522)	3,540

Balance sheet

	Manufacturing and sales of consumer cosmetic		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Consolidated	
	(Unaudited) 31 March 2008	(Audited) 30 September 2007	(Unaudited) 31 March 2008	(Audited) 30 September 2007	(Unaudited) 31 March 2008	(Audited) 30 September 2007	(Unaudited) 31 March 2008	(Audited) 30 September 2007	(Unaudited) 31 March 2008	(Audited) 30 September 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets:										
Segment assets	127,578	83,255	76,047	72,095	31,139	36,429	15,920	26,889	250,684	218,668
Unallocated corporate assets									33,380	26,369
Total assets									284,064	245,037
Liabilities:										
Segment liabilities	39,400	23,186	13,923	29,149	17,149	11,942	2,457	2,117	72,929	66,394
Unallocated corporate liabilities									41,504	31,958
									114,433	98,352

Other information

	Manufacturing and sales of consumer cosmetic (Unaudited) Six months ended 31 March		Manufacturing and sales of health related products (Unaudited) Six months ended 31 March		Manufacturing and sales of capsules products (Unaudited) Six months ended 31 March		Manufacturing and sales of health supplement wine (Unaudited) Six months ended 31 March		Consolidated (Unaudited) Six months ended 31 March	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	63	130	33	345	1,191	3,774	224	–	1,511	4,249
Depreciation/ amortisation	129	58	495	1,790	822	571	423	286	1,869	2,705

	Manufacturing and sales of consumer cosmetic		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Consolidated	
	(Unaudited) 31 March	(Audited) 30 September	(Unaudited) 31 March	(Audited) 30 September	(Unaudited) 31 March	(Audited) 30 September	(Unaudited) 31 March	(Audited) 30 September	(Unaudited) 31 March	(Audited) 30 September
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Goodwill on acquisition	–	–	–	–	–	–	–	–	–	–

3. 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 noncurrent 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 six months ended 31 March 2008, 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 March 2008 was 2.6% (30 September 2007: 12.6%).

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.

4. Profit from operations

	(Unaudited) Three months ended 31 March		(Unaudited) Six months ended 31 March	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit from operations has been arrived at after charging:				
Cost of goods sold	29,439	28,239	51,352	50,382
Depreciation/amortisation	946	1,314	1,869	2,705

5. Finance costs

	(Unaudited) Three months ended 31 March		(Unaudited) Six months ended 31 March	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on:				
Bank loans wholly repayable within five years	849	622	1,454	1,012

6. Income tax expenses

	(Unaudited) Three months ended 31 March		(Unaudited) Six months ended 31 March	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax charge comprises:				
Hong Kong Profits Tax	–	–	–	–
Tax in other regions of the PRC (Outside Hong Kong)				
Charge	323	317	2,029	2,757
Refund	–	–	–	–
	323	317	2,029	2,757

No provision for Hong Kong profits tax has been made during the period as the Group's income neither arises in, nor derived from Hong Kong.

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

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective from 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. The tax rate of the Group changed from 24% to 25%.

Pursuant to the relevant law 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 charge for the periods can be reconciled to the profit (loss) before tax per the income statement as follows:

	(Unaudited) Three months ended 31 March				(Unaudited) Six months ended 31 March			
		2008 HK$'000		2007 HK$'000		2008 HK$'000		2007 HK$'000
Profit (loss) before tax		160		6,393		(493)		6,297
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Tax at domestic statutory tax rate of 25% (2007: 24%)	40	25	1,534	24	(123)	(25)	1,511	24
Non-deductible items	952	595	(900)	(14)	2,524	512	(877)	(14)
Income tax on concessionary rates	(669)	(418)	(317)	(5)	(372)	(75)	2,123	34
Tax charged for the period	323	202	317	5	2,029	412	2,757	44

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

7. Dividends

The Board do not recommend the payment of any interim dividend for the six months ended 31 March 2008 (2007: nil).

8. (Loss) Earnings per share

Basic (loss) earnings per share

The calculations of basic loss per share for the three months and six months ended 31 March 2008 are based on the unaudited consolidated net loss from ordinary activities attributable to equity holders of the Company for the periods of approximately HK$510,000 and HK$3,020,000 respectively, and on 522,785,000 and 528,093,000 ordinary shares, being the weighted average number of shares in issue during the period.

The calculations of basic earnings per share for the three months and six months ended 31 March 2007 are based on the unaudited consolidated net profit from ordinary activities attributable to equity holders of the Company for the periods of approximately HK$6,770,000 and HK$4,252,000 respectively, and on 500,000,000 ordinary shares that have been in issue throughout the periods.

Diluted earnings per share

No diluted loss/earnings per share have been presented for the three months and six months ended 31 March 2008 and 2007 as there was no dilutive potential ordinary share for the period.

9. Trade and bills receivables

The Group has a policy of allowing an average credit period of 90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance at the balance sheet dates:

	(Unaudited) 31 March 2008 HK$'000	(Audited) 30 September 2007 HK$'000
0 – 90 days	47,038	28,055
91 – 180 days	6,720	7,589
181 – 360 days	1,825	3,352
Over 360 days	4,649	4,360
	60,232	43,356

The directors consider that the fair value of the trade and bills receivables approximates the corresponding carrying amount.

10. Trade and bills payables

The following is an aged analysis of trade and bills payables at the balance sheet dates:

	(Unaudited) 31 March 2008 *HK$'000*	(Audited) 30 September 2007 *HK$'000*
0 – 90 days	18,854	27,661
91 – 180 days	7,115	5,105
181 – 360 days	2,847	69
Over 360 days	719	612
	29,535	33,447

The directors consider that the fair value of the trade and bills payables approximates the corresponding carrying amount.

11. Amount due to a director

The amount is unsecured, interest free and is repayable on demand. The directors consider that fair value of the amount due to a director approximates to its carrying amount.

12. Operating lease commitments

As a lessee, as at the respective balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of offices and warehouses premises which fall due as follows:

	(Unaudited) 31 March 2008 *HK$'000*	(Audited) 30 September 2007 *HK$'000*
Within one year	1,381	1,255
In the second to third year inclusive	652	391
	2,033	1,646

Leases are negotiated and rentals are fixed for terms of 6 months to 3 years.

13. Capital commitments

	(Unaudited) 31 March 2008 *HK$'000*	(Audited) 30 September 2007 *HK$'000*
Capital expenditures contracted for but not provided in the financial statements in respect of the acquisition of:		
property, plant and equipment	–	–
construction in progress	–	–
prepaid lease payments	–	–
	–	–

14. Pledge of assets

At 31 March 2008, the Group's credit facilities are supported by the followings:

(a) certain of the Group's bank deposits prepaid lease payments and property, plant and equipment;

(b) the Group's pledged bank deposits.

BUSINESS REVIEW

Revenue

For the six months and three months ended 31 March 2008, the Group recorded a sales of approximately HK$156,027,000 and HK$87,292,000 respectively; whereas a sales of approximately HK$142,739,000 and HK$80,129,000 were recorded respectively for the corresponding periods ended 31 March 2007. This represents an increase of approximately HK$13,288,000 and HK$7,163,000 or a growth of approximately 9.3% and 9.0% respectively. During the period under review, the Company has been going through a restructuring, and, stepping up marketing efforts in key markets. However, the Group only experienced a modest growth in sales due to the impact of the spring snowstorm in early 2008.

Gross Profit

For the six months and three months ended 31 March 2008, the Group recorded a gross profit of approximately HK$104,675,000 and HK$57,853,000 respectively, an increase of approximately HK$12,318,000 and HK$5,963,000, or approximately 13.3% and 11.5%, as compared to approximately HK$92,357,000 and HK$51,890,000 over the corresponding periods ended 31 March 2007. For the six months ended 31 March 2008, the gross margin was approximately 67.1%, a growth of 2.4% as compared to 64.7% for the six months ended 31 March 2007. The growth in gross margin was attributed to the Group's persistent efforts in enhancing purchasing, exercising control over the production process, increasing the efficiency of production lines as well as improving inventory management.

Administrative Expenses

For the six months and three months ended 31 March 2008, administrative expenses were approximately HK$13,242,000 and HK$7,302,000, a decrease of approximately HK$5,729,000 and HK$5,224,000, or approximately 30.2% and 41.7%, as compared to approximately HK$18,971,000 and HK$12,526,000 over the corresponding periods ended 31 March 2007. The significant decrease in administrative expenses of the Group was the results of the new management's effective measures which included efficiency improvement, cost control, restructuring of the remuneration of senior management. The Group will continue its effort to tighten cost control, streamline workforce and increase efficiency.

Selling and Distribution Expenses

For the six months and three months ended 31 March 2008, selling and distribution expenses were approximately HK$90,300,000 and HK$49,412,000. This represents a significant increase of approximately HK$23,992,000 and HK$16,934,000, or approximately 36.2% and 52.1%, as compared to HK$66,308,000 and HK$32,478,000 over the corresponding periods ended 31 March 2007. The significant increase in selling and distribution expenses was principally attributed to the Company's traditional sales model which relies heavily on sales promotion by its staff. The introduction of New Labor Law brought in the significant increase in labor cost. In addition, rising channel fees such as listing fee, shelf fee and promotion fee, as a result of market competition, also caused the Group's sales expenses at a high level. However, the new management has commenced streamlining the inefficient sales networks and sales staff in order to concentrate its resources on core markets, but it takes time to materialize the effects of such strategy.

Net (Loss) Profit

For the six months and three months ended 31 March 2008, the Group recorded a loss of approximately HK$2,522,000 and HK$163,000 respectively while profits of approximately HK$3,540,000 and HK$6,076,000 were recorded over the corresponding periods ended 31 March 2007. Fiercer competition and the surge in production, sales and distribution expenses were the main causes of the Group's loss. The changes in the consumer business operations and the introduction of dental business in the period had not yet delivered direct results.

LIQUIDITY AND FINANCIAL RESOURCES

The Group executes prudent policy in its financial resources management. The Group had total cash and bank balances (excluding restricted-use bank deposits) of approximately HK$24,744,000 as at 31 March 2008 (30 September 2007: approximately HK$11,125,000).

The Group generally finances its operations with internally generated cash flows and banking facilities. The financial position of the Group was healthy and there was no seasonality for its borrowing requirements. As at 31 March 2008, the Group has short term bank borrowings of approximately HK$28,828,000 (30 September 2007: approximately HK$26,850,000), which are repayable within one year. The interest rates of such bank loans are usually at fixed rates.

Details of assets pledged by the Group to support the Group's credit facilities are set out in note 14 to the condensed consolidated results above.

The gearing ratio is defined as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and noncurrent 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.

The gearing ratio based on unaudited financial information at 31 March 2008 was 2.6% (30 September 2007: 12.6%).

CURRENCY STRUCTURE

The Group had limited exposure to foreign exchange rate fluctuation as most of its transactions, including borrowings, were mainly conducted in Renminbi and the exchange rates of these currencies were relatively stable throughout the periods.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 March 2008 (30 September 2007: Nil).

CAPITAL COMMITMENTS

As at 31 March 2008, the Group had no significant capital commitment.

BUSINESS PROSPECT

Completing Strategic Adjustment and Reorganization

The Group has commenced its business restructuring since the second half of 2007 by shifting its strategy from "expanding cosmetics, maintaining health related products with prudent investment in capsules" to a philosophy of "focusing on dental care, strengthening health related products, maintaining cosmetics and capsules". Meanwhile, the Board composition of the Company has been changed from a majority of Suzhou local talents to a more international mix of business professionals from Canada, Singapore, Hong Kong and Malaysia, together with senior academics from the University of Yunnan. In addition, it has also adjusted and strengthened the management team.

Rapidly Developing the Dental Business

In October 2007, the Group has established Jiangsu Longlife Special Equipment Technology Co., Ltd., which is principally engaged in dental care equipment and material business. In early 2008, Suzhou Longlife Medical Devices Co., Ltd. ("SLMD") was officially granted business licenses and has since commenced operation. The mission of SLMD is to become one of the leading sales and marketing networks in China's dental industry. The Group's strategy for the dental industry is to establish a nation-wide integrated platform of sales, marketing and production that is able to serve the widely scattered yet fast growing dental clinics and dental hospitals. The Group believes that the aforesaid strategy can be achieved through leveraging the existing administrative, financial and information networks of Longlife consumer business.

Increasing Investment in Health Related Products Business

The Group has earned substantial reputation and profit in the eastern China with its health related products ever since the commencement of its business. Subsequent to the SARS outbreak in 2003, the Group shifted its direction to cosmetics due to the fact that health related products made of turtle and snake essences had been adversely impacted. In 2008, capitalizing on its leading position in health related products in locations such as Shanghai, the Group is determined to increase its investment in high profit margin health related products. New products will be targeting the white-collars and are expected to launch into the market shortly.

Streamlining Cosmetics Business, Focusing on Products and Regions with advantages

The Group decided to continue streamlining its weak cosmetics business by reducing ineffective sales points and downsizing manpower to cut labor cost. In addition, the Group will integrate the sales of its dental products, health related products and capsules into the existing sales network of cosmetics products, so as to create greater economic benefits through synergy.

Although the Group is still undergoing reorganization, the Directors believe that the competitiveness and development potential of the Group will be largely enhanced through these reforms in 2008.

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

As at 31 March 2008, 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	25.31%
Zhang San Lin (張三林)	Beneficial owner	25,000,000	4.69%
Yang Shun Feng (楊順峰)	Beneficial owner	10,000,000	1.87%
Yao Feng (姚鋒)	Beneficial owner	10,000,000	1.87%

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 March 2008, 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 March 2008, 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, the following persons 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 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	27.28%
Bao Xiao Mei[1] (包小妹)	Interest of spouse of Mr. Yang Hong Gen who is a beneficial owner	145,500,000	27.28%
China Medical Device Group Limited[2]	Beneficial owner	135,000,000	25.31%
CITIC International Assets Management Limited[3]	Beneficial owner	31,500,000	5.90%
CITIC International Financial Holdings Limited[3]	Through a controlled corporation	31,500,000	5.90%
CITIC Group[3]	Through a controlled corporation	31,500,000	5.90%

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".

(3) 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 OTHER PERSONS", as at 31 March 2008, 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.

RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme (the "Scheme") adopted on 26 May 2004 by the written resolutions of the shareholders of the Company, the Company granted certain options to the Company's directors which entitled the holders to subscribe for ordinary shares of the Company. Further details of the Scheme are set out under the heading "SHARE OPTION SCHEME" below.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entity provides research, development or other technological support to the Group, any minority shareholder in the Company's subsidiaries, and adviser to business development of the Group. The Scheme became effective on 26 May 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions and disposals of subsidiaries and associated companies for the six months ended 31 March 2008.

EMPLOYEES' REMUNERATION

As at 31 March 2008, the Group had approximately 7,937 (30 September 2007: 9,581) employees which are mainly located in the PRC. The staff costs for the six months ended 31 March 2008 was approximately HK$47,654,000.

The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training and a share option scheme.

The employees of the subsidiaries are members of retirement benefits scheme according to the statutory requirements. The relevant subsidiaries is required to make contributions to the defined contribution pension scheme based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations.

In addition, pursuant to regulations stipulated by the PRC government, the PRC subsidiary started a defined contribution health care scheme. The employees currently under the defined contribution pension scheme are entitled to the health care scheme. Under this scheme, the PRC subsidiary and the relevant employees have to contribute certain percentage of the employees' salaries to the scheme.

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 January 2008 to 31 March 2008, the audit committee of the Company comprises three independent non-executive Directors. Messrs. Yin Jing Le, Yu Jie and Chong Cha Hwa. On 1 April 2008, Mr. Yin Jing Le resigned as independent non-executive Director and member of audit committee of the Company. Dr. Yu Hong was appointed as independent non-executive Director and member of audit committee of the Company on 1 April 2008.

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 and six months ended 31 March 2008.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 March 2008, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the code provisions of Code on Corporate Governance Practices ("CG Code") set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 31 March 2008, except for the following deviations:-

1. **Chairman and chief executive officer**

   Pursuant to the code provisions A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

   For the six months ended 31 March 2008, Mr. Yao Feng ("Mr. Yao") and Mr. Zheng Lixin ("Mr. Zheng"), being the chairman and chief executive officer of the Company for the periods from 5 October 2007 to 31 October 2007 and 31 October 2007 to 31 March 2008 respectively, both were responsible for managing the Board and the Group's business. The Board considers that Mr. Yao and Mr. Zheng both had in-depth knowledge in the Group's business and could make appropriate decisions promptly and efficiently. The combination of the roles of chairman and chief executive officer can effectively formulate and implement the Group's strategies. The Board also considers that, at its present size, there is no imminent need to segregate the role of chairman and chief executive officer. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of chairman and chief executive officer is necessary.

2. **Non-executive directors**

   Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

   Apart from the executive directors and independent non-executive directors, the non-executive director of the Company is not appointed for specific terms. However, the non-executive director is subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles"). Accordingly, the Company believes that the non-executive director ought to be committed to represent the long-term interests of the Company's shareholders and the rotation methodology ensures a reasonable proportion of Directors in continuity which is to the best interest of the Company's shareholders.

   In conclusion, the Company will continue to review regularly and take appropriate actions to comply with the CG Code.

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

Hong Kong, 9 May 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. Yu Jie (俞杰), Mr. Chong Cha Hwa (張家華), Dr. Yu Hong (虞泓)