Stock Code: 8037

Longlife Group Holdings Limited

朗力福集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2009

Healthy life
happy life

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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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 THREE-MONTH RESULTS

The board (the "Board") of directors (the "Directors") of Longlife Group Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 December 2008 together with the comparative unaudited figures for the corresponding period in 2007 prepared in accordance with generally accepted accounting principles in Hong Kong, as follows. The unaudited consolidated 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	
		2008	**2007**
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**53,042**	68,735
Cost of sales		**(20,182)**	(21,913)
Gross profit		**32,860**	46,822
Other income		**54**	38
Administrative expenses		**(7,310)**	(5,940)
Selling and distribution expenses		**(26,479)**	(40,888)
Other expenses		**(41)**	(80)
Loss from operations		**(916)**	(48)
Finance costs		**(1,041)**	(605)
Loss before tax		**(1,957)**	(653)
Income tax expenses	*3*	**(241)**	(1,706)
Loss for the period		**(2,198)**	(2,359)
Attributable to:			
Equity holders of the Company		**(2,593)**	(2,510)
Minority interests		**395**	151
		(2,198)	(2,359)
Loss per share	*4*		
– Basic		**(0.49) cent**	(0.48) cent
– 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 2008 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 2008.

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 2008. 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.

HKFRS (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items[3]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[3]

[1] Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.

[2] Effective for annual periods beginning on or after 1 January 2009.

[3] Effective for annual periods beginning on or after 1 July 2009.

2. Turnover

Turnover represents the amounts received and receivable from sales of goods less sales tax and discounts, if any, during the periods.

	Three months ended 31 December	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Manufacturing and sales of consumer cosmetics	**34,995**	48,886
Manufacturing and sales of health related products	**9,910**	12,815
Manufacturing and sales of capsules products	**6,611**	5,962
Manufacturing and sales of health supplement wine	**1,269**	1,072
Manufacturing and sales of dental materials and equipment	**257**	–
	53,042	68,735

3. Income Tax Expenses

	Three months ended 31 December	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
The amount comprises:		
Hong Kong profits tax – Current period	**–**	–
Taxation arising in the People's Republic of China (the "PRC") – Current period	**241**	1,706
	241	1,706

No provision for Hong Kong profits tax has been made in the condensed consolidated income statement as the Group's income neither arose in, nor was derived from Hong Kong for the period (2007: nil).

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

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.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 issued by the Tenth National People's Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and Implementation Regulations, the Enterprise Income Tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

For the period ended 31 December 2007, the domestic income tax rate of 24% represents the PRC Foreign Enterprise Income Tax of which the Group's operations are substantially based.

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

	Three months ended 31 December	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Loss before tax	**(1,957)**	(653)

	Three months ended 31 December	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Tax at domestic statutory tax rate of 25% (2007: 24%)	**(489)**	(157)
Tax effect of expenses not deducible for tax purposes including tax loss not recognised	**7**	3,249
Tax effect of income not taxable for tax purposes	**(6)**	(5)
Tax effect of tax losses not recognised	**1,327**	–
Reduction of tax to concessionary rate	**(278)**	(1,381)
Tax effect of exemption granted to PRC subsidiaries	**(320)**	–
Income tax expense for the period	**241**	1,706

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 2008 are based on the unaudited consolidated loss from ordinary activities attributable to shareholders for the period of approximately HK$2,593,000 on 533,400,000 ordinary shares in issue during the period.

The calculations of basic loss per share for the three months ended 31 December 2007 are based on the unaudited consolidated 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.

Diluted loss per share

No diluted loss per share has been presented for the three months ended 31 December 2008 and 2007 as there was no dilutive potential ordinary share for the periods.

5. Share Capital and Reserves

	Number of shares	Par value per share	Amount HK$'000
A. Movement of authorised share capital			
At 31 December 2007 (unaudited) and 31 December 2008 (unaudited)	2,000,000,000	HK$0.10	200,000
B. Movement of issued share capital			
At 31 December 2006 (unaudited)	500,000,000	HK$0.10	50,000
Issue of shares upon placing (note) (unaudited)	33,400,000	HK$0.10	3,340
At 31 December 2007 (unaudited) and 31 December 2008 (unaudited)	533,400,000	HK$0.10	53,340

Note: Pursuant to the placing and subscription agreement dated 15 October 2007, the Company issued 33,400,000 ordinary shares of HK$0.10 each at a price of HK$0.33 per share to independent third parties for cash. The new shares rank pari passu with the existing shares in all respects.

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 (Note 2)	Statutory enterprise expansion fund HK$'000 (Note 3)	Exchange reserve HK$'000	Retained profits (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
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
At 1 October 2008 (Audited)	53,340	15,479	22,443	15,479	3,098	28,436	(11,127)	127,148	7,393	134,541
Exchange differences arising on translation of foreign operations (Unaudited)	–	–	–	–	–	(51)	–	(51)	(6)	(57)
Loss for the period (Unaudited)	–	–	–	–	–	–	(2,593)	(2,593)	395	(2,198)
At 31 December 2008 (Unaudited)	53,340	15,479	22,443	15,479	3,098	28,385	(13,720)	124,504	7,782	132,286

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 manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The Directors of the Company review the capital structure on a regular basis. As a part of this review, the Directors of the Company consider the cost of capital and the associated risks and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remained unchanged during the two periods ended 31 December 2008 and 2007.

7. Capital Commitments

	31 December	
	2008	**2007**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Capital commitments contracted for but not provided in the condensed financial statements in respect of:		
– construction in progress	**6,081**	2,752
Capital commitment authorised but not contracted for in respect of:		
– investment in a subsidiary	**–**	40,000

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 December 2008 (2007: Nil).

SHARE OPTION SCHEME

During the three months ended 31 December 2008, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 26 May 2004.

BUSINESS REVIEW

By the end of 31 December 2008, the Group's traditional business included manufacturing and sales of consumer cosmetics, health related products, capsule products and health supplement wine. At the end of 2007, the Group decided to enter into dental industry and proactively explored the new business opportunities. At present, the dental business includes manufacturing and sales of dental materials and equipment and related trade business.

Turnover

For the three months ended 31 December 2008, the Group recorded a sales of approximately HK$53,042,000, representing a decrease of approximately HK$15,693,000 and approximately 22.8% compared to approximately HK$68,735,000 over the corresponding period of last year. The significant decrease in sales was because the Group persistently streamlined inefficient sales networks and our new business has not yet contributed much revenue since it is still at investment stage.

Gross Profit

For the three months ended 31 December 2008, the Group recorded a gross profit of approximately HK$32,860,000, representing a decrease of approximately HK$13,962,000 and approximately 29.8% compared to approximately HK$46,822,000 over the corresponding period of last year. The gross margin was approximately 62.0%, representing a decrease of approximately 6.1 percentage points compared to 68.1% over the corresponding period of last year. The decrease in gross margin was attributed to the Group's initiatively reduction of price in order to face the decrease of the consumption willing caused by the financial crisis.

Administrative Expenses

For the three months ended 31 December 2008, administrative expenses was approximately HK$7,310,000, representing an increase of approximately HK$1,370,000 and approximately 23.1% compared to approximately HK$5,940,000 over the corresponding period of last year. The significant increase in administrative expenses was mainly due to the engagement of various dental experts and managerial staff from multinational corporations.

Selling and Distribution Expenses

For the three months ended 31 December 2008, selling and distribution expenses was approximately HK$26,479,000, representing a decrease of approximately HK$14,409,000 and approximately 35.2% compared to HK$40,888,000 over the corresponding period of last year. The sharp cut in selling and distribution expenses was a result of the business strategy by streamlining the inefficient sales networks and enhancing the effort executed since 2008.

Loss for the Period

For the three months ended 31 December 2008, the Group recorded a loss of approximately HK$2,198,000, representing a decrease of approximately HK$161,000 and approximately 6.8% compared to the loss of approximately HK$2,359,000 over the corresponding period of last year. Factors attributing to the loss in this quarter included: the public will be more cautious in spending as the spread of global financial turmoil; the turnover was decreased when reducing temporary sales persons and the one-off compensation for laid-off personnel. Despite of some loss in short time, the Directors thought the adjustment to our Group's business strategy is suitable and reasonable. Only by improving business strategy and enhancing the effort , the Group can pull through the hard time both at home and abroad.

FUTURE OUTLOOK

The macroeconomic conditions of both the world and China will further deteriorate and the public will be more cautious in spending in 2009. In such bad external environment, the management will continue to intensify business reorganization and internal management reformation, enhance the effort and control the cost. The management will also further enhance the business model which requires less capital investment, strengthened operation and all-round services. Meanwhile, the Group will create value for our shareholders, society and our employees by refining its organization, manpower structure and remuneration package, sculpturing its corporate culture and leading its subsidiaries to operate more efficiently by further strengthening their management and tightening their corporate governance.

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

As at 31 December 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 (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 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 (鄭立新)	Through a controlled corporation	135,000,000 *(Note)*	25.31%
Yang Shun Feng (楊順峰)	Beneficial owner	10,000,000	1.87%
Zhang San Lin (張三林)	Beneficial owner	25,000,000	4.69%
Yao Feng (姚鋒)	Beneficial owner	10,000,000	1.87%

Note: These shares are held by China Medical Device Group Limited, a company wholly-owned by Mr. Zheng Lixin.

Save as disclosed above, none of the Directors nor the chief executives of the Company had, as at 31 December 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 Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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, save as disclosed in the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' 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, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly interested in 5% or more of the voting power at general meetings of the Company:

Long positions in the ordinary shares in the Company

Name of shareholder	Capacity	Number of ordinary shares	Percentage of the issued share capital of the Company
Yang Hong Gen (楊洪根)	Beneficial owner	145,500,000	27.28%
Bao Xiao Mei (包小妹)	Interest of spouse	145,500,000 *(Note 1)*	27.28%
China Medical Device Group Limited	Beneficial owner	135,000,000 *(Note 2)*	25.31%
CITIC International Assets Management Limited	Beneficial owner	31,500,000	5.90%
CITIC International Financial Holdings Limited	Through a controlled corporation	31,500,000 *(Note 3)*	5.90%
CITIC Group	Through a controlled corporation	31,500,000 *(Note 3)*	5.90%

Notes:

1. Ms. Bao Xiao Mei is the wife of Mr. Yang Hong Gen. By virtue of the SFO, Ms. Bao Xiao Mei is deemed to be interested in the shares of Mr. Yang Hong Gen.

2. These shares are held by China Medical Device Group Limited, a company wholly-owned by Mr. Zheng Lixin, an executive Director.

3. These shares are held by CITIC International Assets Management Limited, a company 40% owned by CITIC International Financial Holdings Limited and 55% owned by CITIC Group respectively.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register required to be kept by the Company under section 336 of the SFO as at 31 December 2008.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" above, at no time during the three months ended 31 December 2008 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to exiting shareholders.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises of Mr. Yu Jie, Mr. Chong Cha Hwa and Dr. Yu Hong.

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 consolidated results of the Company for the three months ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 31 December 2008, 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
Zheng Lixin
Chairman

Hong Kong, 10 February 2009

Executive Directors as at date of this report:
Mr. Zheng Lixin (鄭立新)
Mr. Yao Feng (姚鋒)
Mr. Zhang San Lin (張三林)
Mr. Yang Shun Feng (楊順峰)
Dr. Seet Lip Chai (薛立財)

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

Independent Non-executive Directors as at date of this report:
Mr. Yu Jie (俞杰)
Mr. Chong Cha Hwa (張家華)
Dr. Yu Hong (虞泓)