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)

Interim Report 2009

Healthy life
happy life

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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.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

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 and six months ended 31 March 2009 together with the comparative unaudited figures for the corresponding periods ended 31 March 2008, 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	
		2009	2008	**2009**	2008
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**59,664**	87,292	**112,706**	156,027
Cost of sales		**(22,745)**	(29,439)	**(42,927)**	(51,352)
Gross profit		**36,919**	57,853	**69,779**	104,675
Other income		**354**	176	**408**	214
Administrative expenses		**(5,142)**	(7,302)	**(12,452)**	(13,242)
Selling and distribution expenses		**(34,034)**	(49,412)	**(60,513)**	(90,300)
Other expenses		**(480)**	(306)	**(521)**	(386)
(Loss) profit from operations	*4*	**(2,383)**	1,009	**(3,299)**	961
Finance costs	*5*	**(655)**	(849)	**(1,696)**	(1,454)
(Loss) profit before tax		**(3,038)**	160	**(4,995)**	(493)
Income tax expenses	*6*	**(149)**	(323)	**(390)**	(2,029)
Loss for the period		**(3,187)**	(163)	**(5,385)**	(2,522)
Attributable to:					
Equity holders of the Company		**(3,471)**	(510)	**(6,064)**	(3,020)
Minority interests		**284**	347	**679**	498
		(3,187)	(163)	**(5,385)**	(2,522)
Dividends	*7*	**–**	–	**–**	–
Loss per share	*8*				
– Basic		**(0.65) cent**	(0.10) cent	**(1.14) cents**	(0.57) cent
– Diluted		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 31 March 2009 (Unaudited) HK$'000	At 30 September 2008 (Audited) HK$'000
NON-CURRENT ASSETS			
Goodwill		**5,640**	5,640
Property, plant and equipment		**51,594**	52,513
Prepaid lease payments		**17,778**	18,098
		75,012	76,251
CURRENT ASSETS			
Prepaid lease payments		**619**	620
Inventories		**82,775**	89,044
Trade and bills receivables	*9*	**62,313**	52,441
Prepayments and other receivables		**11,730**	13,714
Tax recoverable		**–**	563
Pledged bank deposits		**12,912**	3,946
Bank balances and cash		**16,425**	11,751
		186,774	172,079
CURRENT LIABILITIES			
Trade and bills payables	*10*	**44,461**	36,805
Other payables and accruals		**39,900**	31,994
Bank and other borrowings – due within one year		**44,225**	34,457
Amount due to a minority shareholder	*11*	**139**	3,241
Amount due to a shareholder	*11*	**3,792**	3,414
Amount due to a director	*11*	**500**	500
Tax payable		**146**	313
		133,163	110,724
NET CURRENT ASSETS		**53,611**	61,355
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,623**	137,606
NON-CURRENT LIABILITY			
Bank and other borrowings – due after one year		**–**	3,065
		128,623	134,541
CAPITAL AND RESERVES			
Share capital		**53,340**	53,340
Reserves		**67,218**	73,808
Equity attributable to equity holders of the Company		**120,558**	127,148
Minority interests		**8,065**	7,393
		128,623	134,541

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 March 2009

	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 (Accu-mulated 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 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
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 difference arising on translation of foreign operations (Unaudited)	–	–	–	–	–	(526)	–	(526)	(7)	(533)
Loss for the period (Unaudited)	–	–	–	–	–	–	(6,064)	(6,064)	679	(5,385)
At 31 March 2009 (Unaudited)	53,340	15,479	22,443	15,479	3,098	27,910	(17,191)	120,558	8,065	128,623

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 the People's Republic of China (the "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	
	2009	**2008**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	**8,847**	(12,413)
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES	**(9,466)**	2,533
NET CASH INFLOW FROM FINANCING ACTIVITIES	**6,703**	12,655
INCREASE IN CASH AND CASH EQUIVALENTS	**6,084**	2,775
Cash and cash equivalents at beginning of period	**11,751**	11,125
Effect of foreign exchange rate changes	**(1,410)**	10,844
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**16,425**	24,744

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 Statement[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

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, health supplement wine and dental materials and equipment, less sales tax and discounts, if any, during the periods. The Group is mainly operates in 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.

Consolidated income statement

	Manufacturing and sales of consumer cosmetic Six months ended 31 March		Manufacturing and sales of health related products Six months ended 31 March		Manufacturing and sales of capsules products Six months ended 31 March		Manufacturing and sales of health supplement wine Six months ended 31 March		Manufacturing and sales of dental materials equipment Six months ended 31 March		Consolidated Six months ended 31 March	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Turnover	59,819	89,076	34,428	47,047	12,142	12,316	5,764	7,588	553	–	112,706	156,027
Segment results	2,619	10,053	(3,570)	5,582	2,228	1,950	(2,657)	1,394	(1,180)	–	(2,560)	18,979
Other income											408	214
Unallocated corporate expenses											(1,147)	(18,232)
Finance costs											(1,696)	(1,454)
Loss before tax											(4,995)	(493)
Income tax expenses											(390)	(2,029)
Loss for the period											(5,385)	(2,522)

Consolidated 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		Manufacturing and sales of dental materials equipment		Consolidated	
	31 March 2009 (Unaudited) HK$'000	30 September 2008 (Audited) HK$'000	31 March 2009 (Unaudited) HK$'000	30 September 2008 (Audited) HK$'000	31 March 2009 (Unaudited) HK$'000	30 September 2008 (Audited) HK$'000	31 March 2009 (Unaudited) HK$'000	30 September 2008 (Audited) HK$'000	31 March 2009 (Unaudited) HK$'000	30 September 2008 (Audited) HK$'000	31 March 2009 (Unaudited) HK$'000	30 September 2008 (Audited) HK$'000
Assets												
Segment assets	111,588	81,000	61,943	66,670	47,044	45,028	26,061	26,650	9,203	9,760	255,839	229,208
Unallocated corporate assets											5,947	19,122
Total assets											261,786	248,330
Liabilities												
Segment liabilities	30,696	22,254	35,381	28,918	24,144	13,875	8,371	2,369	7,939	6,283	106,531	73,699
Unallocated corporate liabilities											26,632	40,090
Total liabilities											133,163	113,789

Other information

	Manufacturing and sales of consumer cosmetic Six months ended 31 March		Manufacturing and sales of health related products Six months ended 31 March		Manufacturing and sales of capsules products Six months ended 31 March		Manufacturing and sales of health supplement wine Six months ended 31 March		Manufacturing and sales of dental materials equipment Six months ended 31 March		Consolidated Six months ended 31 March	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Capital expenditures	20	63	167	33	46	1,191	–	224	267	–	500	1,511
Depreciation/amortisation	80	129	1,212	495	861	822	393	423	40	–	2,586	1,869

3. 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 review the capital structure on a regular basis. As a part of this review, the Directors 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 March 2009 and 2008.

4. (Loss) profit from operations

	Three months ended 31 March		Six months ended 31 March	
	2009 (Unaudited) ***HK$'000***	**2008 (Unaudited)** *HK$'000*	**2009 (Unaudited)** ***HK$'000***	**2008 (Unaudited)** *HK$'000*
(Loss) profit from operations has been arrived at after charging:				
Cost of inventories recognised as an expense	**22,745**	29,439	**42,907**	51,352
Depreciation/amortisation	**1,248**	946	**2,586**	1,869

5. Finance costs

	Three months ended 31 March		Six months ended 31 March	
	2009 (Unaudited) ***HK$'000***	**2008 (Unaudited)** *HK$'000*	**2009 (Unaudited)** ***HK$'000***	**2008 (Unaudited)** *HK$'000*
Interest on:				
Bank and other borrowings wholly repayable within five years	**655**	849	**1,696**	1,454

6. Income tax expenses

	Three months ended 31 March		Six months ended 31 March	
	2009 (Unaudited) ***HK$'000***	**2008 (Unaudited)** *HK$'000*	**2009 (Unaudited)** ***HK$'000***	**2008 (Unaudited)** *HK$'000*
The amount comprises:				
Hong Kong profits tax – current period	**–**	–	**–**	–
Taxation arising in the PRC – current period	**149**	323	**390**	2,029

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 (2008: 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 March 2009, the domestic income tax rate of 25% represents the PRC Foreign Enterprise Income Tax of which the Group's operations are substantially based.

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

	Three months ended 31 March		Six months ended 31 March	
	2009 (Unaudited) ***HK$'000***	2008 (Unaudited) *HK$'000*	2009 (Unaudited) ***HK$'000***	2008 (Unaudited) *HK$'000*
(Loss) profit before tax	**(3,038)**	160	**(4,995)**	(493)
Tax at domestic statutory tax rate of 25% (2008: 25%)	**(760)**	40	**(1,249)**	(123)
Tax effect of expenses not deductible for tax purposes	**87**	952	**94**	2,524
Tax effect of income not taxable for tax purposes	**(127)**	–	**(133)**	–
Tax effect of tax losses not recognised	**1,052**	–	**2,379**	–
Reduction of tax to concessionary rate	**–**	(669)	**(278)**	(372)
Tax effect of exemption granted to PRC subsidiaries	**(103)**	–	**(423)**	–
	149	323	**390**	2,029

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.

7. Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 31 March 2009 (2008: Nil).

8. Loss per share

Basic loss per share

The calculations of basic loss per share for the three months and six months ended 31 March 2009 are based on the unaudited consolidated loss from ordinary activities attributable to equity holders of the Company for the periods of approximately HK$3,471,000 and HK$6,064,000 respectively, and on 533,400,000 and 533,400,000 ordinary shares in issue during the periods.

The calculations of basic loss per share for the three months and six months ended 31 March 2008 are based on the unaudited consolidated 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 periods.

Diluted loss per share

No diluted loss per share have been presented for the three months and six months ended 31 March 2009 and 2008 as there was no dilutive potential ordinary share for both periods.

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:

	31 March 2009 (Unaudited) ***HK$'000***	30 September 2008 (Audited) *HK$'000*
0 – 90 days	**41,981**	31,934
91 – 180 days	**10,249**	14,018
181 – 360 days	**8,761**	5,522
Over 360 days	**1,322**	967
	62,313	52,441

In the opinion of the Directors, the fair value of the trade and bills receivables approximates to the corresponding carrying amounts.

10. Trade and bills payables

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

	31 March 2009 (Unaudited) *HK$'000*	30 September 2008 (Audited) *HK$'000*
0 – 90 days	**30,284**	32,186
91 – 180 days	**12,042**	1,878
181 – 360 days	**774**	1,558
Over 360 days	**1,361**	1,183
	44,461	36,805

In the opinion of the Directors, the fair value of the trade and bills payables approximates to the corresponding carrying amounts.

11. Amount due to a minority shareholder, a shareholder and a director

The amounts are unsecured, interest free and repayable on demand. In the opinion of the directors, the fair value are approximates to its carrying amounts.

12. Operating lease commitments

At the respective balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises, warehouses and staff quarters which fall due as follows:

	31 March 2009 (Unaudited) *HK$'000*	30 September 2008 (Audited) *HK$'000*
Within one year	**1,228**	1,369
In the second to fifth year inclusive	**247**	605
Over five years	**–**	149
	1,475	2,123

Leases are negotiated and rentals are fixed for terms of 6 months to 3 years (30 September 2008: 6 months to 12 years).

13. Capital commitments

	31 March 2009 (Unaudited) *HK$'000*	30 September 2008 (Audited) *HK$'000*
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of construction in progress	**5,945**	6,813

14. Pledge of assets

At 31 March 2009, 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

After reviewing the sales operations in the last few years, the Directors conclude that the existing direct sales strategy that requires employing up to 10,000 direct and indirect sales persons, maintaining approximately RMB100 million of inventories and account receivables in the channels and establishing representative offices and warehouses in more than 80 cities caused high selling and distribution expenses and accumulated excessive inventories and account receivables. Such sales practice was the main reason for the Group's consecutive losses. For more than one year, the Group has been converting direct sales system to dealership structure, actively developing professional distributors and dealers, streamling the inefficient sales network, timely disposing inventory, improving liquidity and reducing the numbers of direct and indirect sales persons to minimize labor cost and risks. So far, the Group has successfully converted more than 40 markets, cut down the total number of direct and indirect sales persons to approximately 4,500 and developed more than 60 dealers and distributors.

Turnover

For the six months and three months ended 31 March 2009, the Group recorded a sales of approximately HK$112,706,000 and HK$59,664,000 respectively, whereas a sales of approximately HK$156,027,000 and HK$87,292,000 was recorded respectively for the corresponding periods ended 31 March 2008. This represents a decrease of approximately HK$43,321,000 and HK$27,628,000 or approximately 27.8% and 31.7% respectively. The significant decrease in sales was due to the Group's conversion on its sales model to dealership structure, persistently effort in streamlining sales networks and drop of the consumption confidence due to financial crisis.

Gross Profit

For the six months and three months ended 31 March 2009, the Group recorded a gross profit of approximately HK$69,779,000 and HK$36,919,000 respectively, whereas a gross profit of approximately HK$104,675,000 and HK$57,853,000 were recorded respectively for the corresponding periods ended 31 March 2008. This represents a decrease of approximately HK$34,896,000 and HK$20,934,000 or approximately 33.3% and 36.2% respectively. For the six months ended 31 March 2009, the gross margin was approximately 61.9%, a decrease of 5.2 percentage points as compared to 67.1% for the six months ended 31 March 2008. The decrease in gross margin was due to the Group's conversion on its sales model to dealership structure and price cut in order to face the fierce competition and financial crisis.

Administrative Expenses

For the six months and three months ended 31 March 2009, administrative expenses were approximately HK$12,452,000 and HK$5,142,000 respectively, a decrease of about HK$790,000 and HK$2,160,000, or approximately 6.0% and 29.6% respectively, as compared to approximately HK$13,242,000 and HK$7,302,000 over the corresponding periods ended 31 March 2008. The decrease in administrative expenses was due to the Group's strategy of cutting staff members and saving cost.

Selling and Distribution Expenses

For the six months and three months ended 31 March 2009, selling and distribution expenses were approximately HK$60,513,000 and HK$34,034,000 respectively. This represents a decrease of approximately HK$29,787,000 and HK$15,378,000, or approximately 33.0% and 31.1% respectively, as compared to HK$90,300,000 and HK$49,412,000 over the corresponding periods ended 31 March 2008. The sharp drop in selling and distribution expenses was a result of the Group's conversion on its sales model to dealership structure and action on streamlining sales networks as well as it's effort in cost control.

Loss for the period

For the six months and three months ended 31 March 2009, the Group recorded a loss for the period of approximately HK$5,385,000 and HK$3,187,000 respectively. This represents an increase of approximately HK$2,863,000 and HK$3,024,000 respectively, as compared to the loss of approximately HK$2,522,000 and HK$163,000 over the corresponding periods ended 31 March 2008. Increasing loss was a result of Group's conversion on its sales model to dealership structure, discounting existing inventory, increasing administrative expenses, and compensation for laying off sales staff during the streamlining activities. Our new dental business did not contribute to the Group's profit either.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent policy for its financial resources management. The Group had cash and bank balances (excluding pledged bank deposits) of approximately HK$16,425,000 as at 31 March 2009 (30 September 2008: approximately HK$11,751,000).

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 2009, the Group has short term bank borrowings of approximately HK$44,225,000 (30 September 2008: approximately HK$34,457,000), 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.

The gearing ratio (defined as total borrowings to total assets) of the Group as at 31 March 2009 and 30 September 2008 were approximately 18.6% and approximately 18.0% respectively.

SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Company does not have any significant investment during the six months ended 31 March 2009.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2009 (2008: Nil).

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 2009 (30 September 2008: Nil).

CAPITAL COMMITMENTS

Details of capital commitments are set out in note 13 to the condensed consolidated results.

FUTURE OUTLOOK

The primary task of the Group is to continue the conversion of the Group's sales system and to optimize the Group's business structure and scope. After gathering experience of converting the less important markets, the Group will initiate the same program in key markets. Since the key markets locate in developed area of Eastern China, the Group will have to face much more complicated challenges in closing sales networks, disposing goods and reducing staffs. Meanwhile, the conversion in the key markets will have greater impact on the Group's financial performance. The conversion strategy described above may cause sharp drop in revenue, inventory level and direct and indirect staff numbers, and further result in substantial accounting losses. Despite of such negative impacts in short term, the Directors believe that such actions will help to reduce losses, to turn around the operations, to rebuild the earning power and to increase the shareholders' value in the long run.

The global financial crisis made it less practical to provide financing for the newly established dental projects, hence, slowed down the Group's dental business development. However, the new dental material project has been progressed on schedule. The Directors believe that the Group is able to launch a new product within this year. The product has great sales potential in the global markets considering the rising demand for quality dental material at lower prices due to international financial crisis. A serial of new dental products with in-house intellectual property rights have been planned in the pipeline and will be launched subsequently in the future.

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

As at 31 March 2009, 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 to total issued share capital of the Company
Zheng Lixin (鄭立新)	Through a controlled corporation	135,000,000 *(Note)*	25.31%
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 chief executives of the Company had, as at 31 March 2009, 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 IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2009, 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 to total 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 March 2009.

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.

SHARE OPTION SCHEME

During the six months ended 31 March 2009, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 26 May 2004.

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 2009.

EMPLOYEES' REMUNERATION

As at 31 March 2009, the Group, directly and indirectly, had 4,613 (30 September 2008: 5,721) employees which are mainly located in the PRC. The staff costs for the six months ended 31 March 2009 was approximately HK$38,899,000.

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.

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 six months ended 31 March 2009.

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 during the six months ended 31 March 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 March 2009, 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 2009, 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.

   Mr. Zheng Lixin was appointed as the chairman and chief executive officer of the Company since 31 October 2007 who is responsible for managing the Board and the Group's business. The Board considers that Mr. Zheng has in-depth knowledge in the Group's business and can 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 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. 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, 11 May 2009

Executive Directors as at date of this report:
Mr. Zheng Lixin (鄭立新), Mr. Zhang San Lin (張三林), Mr. Yao Feng (姚鋒), 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)