# First Quarterly Report 2011/12

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

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.**

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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 (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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## 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 2011 together with the comparative unaudited figures for the corresponding period in 2010 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.

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

| | | **Three months ended 31 December** | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | **(Unaudited)** | (Unaudited) (Restated) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Turnover | *2* | **41,126** | 18,336 |
| Cost of sales | | **(16,948)** | (10,063) |
| Gross profit | | **24,178** | 8,273 |
| Other income | | **143** | 56 |
| Administrative expenses | | **(3,557)** | (3,393) |
| Selling and distribution expenses | | **(5,019)** | (5,733) |
| Other expenses | | **(36)** | (31) |
| Finance costs | | **(1,762)** | (373) |
| Profit/(Loss) before tax | | **13,947** | (1,201) |
| Taxation | *3* | **(45)** | (29) |
| Profit/(Loss) for the period | | **13,902** | (1,230) |
| Other comprehensive income: | | | |
| Exchange difference arising on translation of foreign operations | | **167** | 440 |
| Total comprehensive income for the period | | **14,069** | (790) |

| | Notes | Three months ended 31 December 2011 (Unaudited) HK$'000 | 2010 (Unaudited) (Restated) HK$'000 |
|---|---|---|---|
| Profit/(Loss) attributable to: | | | |
| Equity holders of the Company | | **14,344** | (1,235) |
| Non-controlling interests | | **(442)** | 5 |
| | | **13,902** | (1,230) |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | **14,497** | (865) |
| Non-controlling interests | | **(428)** | 75 |
| | | **14,069** | (790) |
| Dividend | *5* | **–** | – |
| Profit/(Loss) per share *(HK cents)* | *4* | | |
| – Basic | | **1.49** | (0.13) |
| – Diluted | | **N/A** | N/A |

*Notes:*

1. **Basis of Preparation and principal accounting policies**

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values.

The principal accounting policies used in the unaudited consolidated results are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 September 2011. The financial statements are unaudited but have been reviewed by the Audit Committee.

**Adoption of new and revised Hong Kong Financial Reporting Standard (HKFRSs)**

The following new standards and amendments to standards are adopted by the Group for the current financial period:

HKAS 24 (revised), "Related party disclosures", issued in November 2009, is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amendment does not have any financial impact on the Group.

Amendment to HKAS 34 "Interim financial reporting", issued in May 2010 is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

HKFRS 7 (Amendment) 'Disclosures – Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's consolidated statement of financial position. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment only results in additional disclosures.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 October 2011 and have not been early adopted:

i) HKFRS 9, 'Financial Instruments' which will be effective on 1 January 2013 but is proposed to be postponed to 1 January 2015. The first part of HKFRS 9 was issued in November 2009 and will replace those parts of HKAS 39 relating to the classification and measurement of financial assets. In November 2010, a further pronouncement was published to address financial liabilities and derecognition. Key features are as follows:

*Classification and Measurement*
Financial assets are required to be classified into one of the following measurement categories:

(1) those to be measured subsequently at fair value or (2) those to be measured subsequently at amortised cost. Classification is to be made on transition, and subsequently on initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

A financial instrument is subsequently measured at amortised cost only if it is a debt instrument, and the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only unleveraged payments of principal and interest. All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instrument that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than consolidated statement of comprehensive income. Once elected to be recognised through other comprehensive income, there will be no reclassification of fair value gains and losses to consolidated statement of comprehensive income. Dividends are to be presented in consolidated statement of comprehensive income as long as they represent a return on investment.

*Financial Liabilities and Derecognition*
Except for the two substantial changes described below, the classification and measurement requirements of financial liabilities have been basically carried forward with little amendments from HKAS 39. For the derecognition principles, they are consistent with that of HKAS 39.

The requirements related to the fair value option for financial liabilities were changed to address own credit risk. It requires the amount of change in fair value attributable to changes in the credit risk of the liability be presented in other comprehensive income. The remaining amount of the total gain or loss is included in consolidated statement of comprehensive income. If this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in consolidated statement of comprehensive income. The determination of whether there will be a mismatch will need to be made at initial recognition of individual liabilities and will not be re-assessed. Amounts presented in other comprehensive income are not subsequently reclassified to consolidated statement of comprehensive income but may be transferred within equity.

The standard eliminates the exception from fair value measurement contained in HKAS 39 for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument.

ii) HKFRS 10 "Consolidated financial statements" is effective for annual periods beginning on or after 1 January 2013. It replaces all of the guidance on control and consolidation in HKAS 27, "Consolidated and separate financial statements", and HK(SIC)-12, "Consolidation – special purpose entities". HKAS 27 is renamed 'Separate financial statements', and it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged.

The revised definition of control under HKFRS 10 focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The determination of power is based on current facts and circumstances and is continuously assessed. The fact that control is intended to be temporary does not obviate the requirement to consolidate any investee under the control of the investor. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. HKFRS 10 includes guidance on 'de facto' control, participating and protective rights and agent/principal relationships.

iii) HKFRS 13 "Fair value measurements" is effective for annual periods beginning on or after 1 January 2013. It explains how to measure fair value and aims to enhance fair value disclosures. It does not say when to measure fair value or require additional fair value measurements. It does not apply to transactions within the scope of HKFRS 2, "Share-based payment", or HKFRS 17, "Leases", or to certain other measurements that are required by other standards and are similar to, but are not, fair value (for example, value in use in HKAS 36, 'Impairment of assets').

The Group is in the process of making an assessment of what the impacts of the above new standards are expected to be in their respective period of initial application.

## 2. Turnover

Turnover represents the amounts received and receivable from sales of goods less sales tax and discounts, if any, gain/(loss) on and dividend income from financial assets at fair value through profit or loss during the period.

| | **Three months ended 31 December** | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) (Restated) |
| | ***HK$'000*** | *HK$'000* |
| Manufacturing and sales of consumer cosmetics | **10,782** | 9,719 |
| Manufacturing and sales of health related products | **3,510** | 3,122 |
| Manufacturing and sales of capsules products | **5,423** | 6,542 |
| Manufacturing and sales of health supplement wine | **513** | 242 |
| Manufacturing and sales of dental materials and equipment | **707** | 131 |
| Trading of financial assets at fair value through profit or loss | **20,191** | (1,420) |
| | **41,126** | 18,336 |

**3. Taxation**

No provision for Hong Kong Profits Tax has been made in the consolidated income statement as the Company and its subsidiaries have no assessable profits arising in Hong Kong for the three months ended 31 December 2011 (2010: Nil). Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the relevant law and regulations in the People's Republic of China (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 potential deferred tax asset has not been recognized in the financial statements as the probability that future taxable profit will be available against which the temporary differences can be utilized in the foreseeable future is uncertain.

**4. Profit/(Loss) per share**

The calculation of basic profit/(loss) loss per share attributable to the equity holders of the Company is based on the following data:

| | **Three months ended 31 December** | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Profit/(Loss)** | | |
| Profit/(Loss) for the period attributable to equity holders of the Company | **14,344** | (1,235) |

| | **Three months ended 31 December** | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share | **960,080** | 960,080 |

*Diluted profit/(loss) per share*

No diluted profit/(loss) per share has been presented for the three months ended 31 December 2011 and 2010 as there was no dilutive potential ordinary share for these periods.

**5. Dividend**

The Board does not recommend the payment of any dividend for the three months ended 31 December 2011 (2010: Nil).

## 6. Movements of reserves

| | Share premium HK$'000 | Share options reserve HK$'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 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 October 2010 (Audited) | 79,168 | 8,574 | 22,443 | 15,479 | 3,098 | 28,376 | (111,153) | 45,985 |
| Loss for the period | – | – | – | – | – | – | (1,235) | (1,235) |
| Other comprehensive income: | | | | | | | | |
| Exchange differences arising on translation | – | – | – | – | – | 370 | – | 370 |
| Total comprehensive income for the period | – | – | – | – | – | 370 | (1,235) | (865) |
| At 31 December 2010 (Unaudited) | 79,168 | 8,574 | 22,443 | 15,479 | 3,098 | 28,746 | (112,388) | 45,120 |
| At 1 October 2011 (Audited) | 79,168 | 8,574 | 22,443 | 15,479 | 3,098 | 25,262 | (154,708) | (684) |
| Profit for the period | – | – | – | – | – | – | 14,344 | 14,344 |
| Other comprehensive income: | | | | | | | | |
| Exchange differences arising on translation | – | – | – | – | – | 153 | – | 153 |
| Total comprehensive income for the period | – | – | – | – | – | 153 | 14,344 | 14,497 |
| At 31 December 2011 (Unaudited) | 79,168 | 8,574 | 22,443 | 15,479 | 3,098 | 25,415 | (140,364) | 13,813 |

*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 subsidiaries of the Company in 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 the 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.

## 7. Contingent liabilities

The Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 31 December 2011, the maximum liabilities of rental and corresponding administrative charges of the Company due to default of payment of Capital VC Limited would be approximately HK$2,109,000.

## 8. Comparative figures

Certain comparative figures have been restated to conform with the current period's presentation.

## SHARE OPTION SCHEME

During the three months ended 31 December 2011, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 26 May 2004.

## BUSINESS REVIEW

Turnover of the Group for the three months ended 31 December 2011 was approximately HK$41,126,000, principally representing sales for the traditional consumer goods businesses of approximately HK$20,935,000 and net profit derived from the Group's investments in financial assets of approximately HK$20,191,000. For the corresponding period in 2010, the turnover of approximately HK$18,336,000 represented the net effect of sales of traditional consumer goods of approximately HK$19,756,000 and the net loss derived from the Group's investments in financial assets of approximately HK$1,420,000.

During the period under review, the PRC was still facing high inflationary pressure. The turnover of the Group's consumer business increased by 6.0%, compared to the same period in last year, which was due to the increase in the Group's investment in both new products development and new sales channels expansion after the completion of the business model transformation. Gross margin recorded a significant drop compared to the same period in last year, which was due to the Group's disposal of part of obsolete products in lower price and the conversion of the Group's sales model into an agency and dealership structure, while price reduction in response to the fierce competition from other manufacturers in order to dealers' relationships.

Regarding the Group's business of financial assets investment, which benefited from the recovery of global investment market, profit from trading of financial assets at fair value through profit or loss of HK$20,191,000 was recorded in the current period. The performance of the Group's investment in the current period greatly improved as compared to the loss on financial asset investments of HK$1,420,000 in the corresponding period of last year.

### Revenue

For the three months ended 31 December 2011, the Group recorded a turnover of approximately HK$20,935,000, an increase of approximately HK$1,179,000 and approximately 6.0% compared to approximately HK$19,756,000 over the corresponding period of last year. The Group's sales model has converted into an agency and dealership structure, and the initial transition has complete, resulted an increase in sales.

The performance of the Group's financial assets investments improved in the current period and changed from loss of HK$1,420,000 in the three months ended 31 December 2010 to profit of HK$20,191,000 in the period under review.

### Gross Profit

For the three months ended 31 December 2011, the Group recorded a gross profit of approximately HK$3,987,000 for its consumer business, a decrease of approximately HK$5,706,000 and approximately 58.9% compared to approximately HK$9,693,000 over the corresponding period of last year. The decrease in gross margin was due to the Group's disposal of certain obsolete products in lower price and the conversion of the Group's sales model into an agency and dealership structure, while price reduction in response to the fierce competition from other manufacturers in order to maintain dealers' relationships.

The profit of the Group's financial assets investment of HK$20,191,000 directly contributed to the Group's gross profit, resulting in the overall gross profit of HK$24,178,000. Similarly, the overall gross profit of HK$8,273,000 for the three months ended 31 December 2010 was net of the gross profit of consumer business of HK$9,693,000 and the trading loss of financial assets of HK$1,420,000.

### Administrative Expenses

For the three months ended 31 December 2011, administrative expenses was approximately HK$3,557,000, a slight increase of approximately HK$164,000 and approximately 4.8% compared to approximately HK$3,393,000 over the corresponding period of last year. The slight increase in administrative expenses was principally due to the inflation in the PRC and Hong Kong.

### Selling and Distribution Expenses

For the three months ended 31 December 2011, selling and distribution expenses was approximately HK$5,019,000, a decrease of approximately HK$714,000 and approximately 12.5% compared to HK$5,733,000 over the corresponding period of last year. The sharp drop in selling and distribution expenses was a result of the Group's conversion on its sales model to agent and dealership structure and continuous effort in streamlining inefficient sales networks in Shanghai direct sales market as well as its effort in cost control.

### Result for the period

For the three months ended 31 December 2011, the Group recorded a profit of approximately HK$13,902,000, compared to the loss of approximately HK$1,230,000 over the corresponding period of last year. The improvement in the Group's performance was mainly due to the profit generated from financial assets investments during the period.

## FUTURE OUTLOOK

Continuing to deepen the implementation of the business model of "asset minimization, focus on operation and full services" is still the primary objective of the Group. The Group will increase its investment in both new products development and new sales channels expansion.

In connection with the Group's financial asset investments, as the US Federal Open Market Committee anticipating that interest rates would remain low through at least late 2014, and the Chinese Government may be less hawkish to further tighten the current macro policy in the near term, the Directors are optimistic to the worldwide investment market but will adopt cautious measures in handing the Group's financial assets investments.

The directors believe the above measures will contribute to realize the group's objective to maintain its profitability and enhance shareholder's value for the long run.

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

As at 31 December 2011, 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 of the Company**

| Name | Capacity | Number of ordinary shares | % to total issued share capital of the Company |
|---|---|---|---|
| **Director** | | | |
| Cheung Hung | Beneficial owner and family interest | 8,500,000 | 0.89% |
| Zhang Sanlin | Beneficial owner | 9,850,000 | 1.03% |
| **Chief executive** | | | |
| Yang Shunfeng | Beneficial owner | 375,000 | 0.04% |

### Long positions in underlying shares of the Company

***Share options granted***

| Name of director | Date of grant | Exercisable period | Subscription price per share | Aggregate long positions in underlying shares of the Company | Approximate percentage interest in the Company's issued share capital |
|---|---|---|---|---|---|
| Cheung Hung | 9 April 2010 | 9 April 2010 to 8 April 2020 | HK$0.355 | 5,000,000 | 0.65% |
| Wang Zhixin | 9 April 2010 | 9 April 2010 to 8 April 2020 | HK$0.355 | 5,000,000 | 0.65% |

Save as disclosed above, none of the Directors nor the chief executives of the Company had, as at 31 December 2011, 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 December 2011, 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 shares and underlying shares of the Company

| Name of shareholder | Capacity | Number of ordinary shares | Number of underlying shares held under equity derivatives | Total | % of shares in issue |
|---|---|---|---|---|---|
| Capital VC Limited *(Note)* | Beneficial owner/ through controlled corporation | 88,910,000 | 500,000 | 89,410,000 | 9.31% |

*Note:* 68,520,000 of these shares were held by CNI Capital Limited, a company wholly-owned by Capital VC Limited.

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 2011.

## 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 2011 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. Chong Cha Hwa, Mr. Sham Chi Keung, William and Mr. Yeung Chi Tit.

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 2011.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 31 December 2011, 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**
**Cheung Hung**
*Chairman*

Hong Kong, 13 February 2012

*Executive Directors as at the date of this report:*
Mr. Cheung Hung *(Chairman)*
Mr. Wong Chun Hung
Mr. Zhang Sanlin
Mr. Tian Zhenyong
Mr. Wang Zhixin

*Independent Non-executive Directors as at the date of this report:*
Mr. Chong Cha Hwa
Mr. Sham Chi Keung, William
Mr. Yeung Chi Tit