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)

ANNOUNCEMENT OF THE AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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.

RESULTS

The board of the Directors (the "Board") of the Company hereby announces the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 30 September 2007 together with the comparative figures for the corresponding year in 2006 as follows. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000*
Revenue	*4*	**270,753**	243,386
Cost of sales		**(98,038)**	(97,826)
Gross profit		**172,715**	145,560
Other income	*5*	**2,160**	4,156
Administrative expenses		**(26,788)**	(26,236)
Selling and distribution expenses		**(181,714)**	(118,355)
Other expenses		**(620)**	(459)
Finance costs	*6*	**(2,002)**	(1,233)
(Loss)/profit before tax	*7*	**(36,249)**	3,433
Income tax expenses	*8*	**(2,084)**	(2,905)
(Loss)/profit for the year		**(38,333)**	528
Attributable to:			
Equity holders of the Company		**(38,375)**	639
Minority interests		**42**	(111)
		(38,333)	528
(Loss)/earnings per share	*10*		
– Basic		**(7.68 HK cent)**	0.13 HK cent
– Diluted		**–**	0.13 HK cent

CONSOLIDATED BALANCE SHEET

At 30 September 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Goodwill		**5,525**	5,525
Property, plant and equipment	*11*	**50,197**	47,545
Prepaid lease payments		**15,236**	14,360
Deposit paid for acquisition of property, plant and equipment		**–**	671
		70,958	68,101
CURRENT ASSETS			
Prepaid lease payments		**517**	315
Inventories		**91,394**	91,483
Trade and bills receivables	*12*	**43,356**	56,600
Prepayments and other receivables		**17,598**	15,962
Tax recoverable		**474**	452
Pledged bank deposits		**9,615**	5,132
Bank balances and cash		**11,125**	28,760
		174,079	198,704
CURRENT LIABILITIES			
Trade and bills payables	*13*	**33,447**	28,311
Other payables and accruals		**34,552**	38,977
Bank borrowings – due within one year		**26,850**	5,909
Amount due to a minority shareholder	*14*	**2,005**	311
Amount due to a shareholder	*14*	**1,498**	–
Amount due to a director	*14*	**–**	543
Tax payable		**–**	318
		98,352	74,369
NET CURRENT ASSETS		**75,727**	124,335
TOTAL ASSETS LESS CURRENT LIABILITIES		**146,685**	192,436
NON-CURRENT LIABILITY			
Bank borrowings – due after one year		**–**	15,462
		146,685	176,974
CAPITAL AND RESERVES			
Share capital		**50,000**	50,000
Reserves		**90,973**	121,568
Equity attributable to equity holders of the Company		**140,973**	171,568
Minority interests		**5,712**	5,406
		146,685	176,974

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Statutory surplus reserve fund	Statutory enterprise expansion fund	Exchange reserve	Accumulated profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000* *(Note 3)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2005	50,000	8,145	22,443	–	–	–	83,373	163,961	–	163,961
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	5,460	5,460
Exchange difference arising on translation of foreign operations	–	–	–	–	–	6,968	–	6,968	57	7,025
Profit for the year	–	–	–	–	–	–	639	639	(111)	528
Total recognised income for the year	–	–	–	–	–	6,968	639	7,607	(54)	7,553
Appropriations	–	–	–	3,098	3,098	–	(6,196)	–	–	–
At 30 September 2006 and at 1 October 2006	50,000	8,145	22,443	3,098	3,098	6,968	77,816	171,568	5,406	176,974
Exchange difference arising on translation of foreign operations	–	–	–	–	–	7,780	–	7,780	264	8,044
Loss for the year	–	–	–	–	–	–	(38,375)	(38,375)	42	(38,333)
Total recognised income for the year	–	–	–	–	–	7,780	(38,375)	(30,595)	306	(30,289)
Appropriations	–	–	–	12,381	–	–	(12,381)	–	–	–
At 30 September 2007	**50,000**	**8,145**	**22,443**	**15,479**	**3,098**	**14,748**	**27,060**	**140,973**	**5,712**	**146,685**

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.

SEGMENT INFORMATION

The Group is engaged in the manufacture, research and development and distribution of consumer cosmetics, health related products, capsules products, and health supplement wine and operates only in the PRC. In addition, the identifiable assets of the Group are located in the PRC. Accordingly, no analyses by geographical area of operations are provided.

Segment information in respect of business segments is presented as below:

Income statement

For the year ended 30 September

	Manufacturing and sales of consumer cosmetics		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**184,208**	105,024	**64,782**	115,776	**13,861**	8,383	**7,902**	14,203	**270,753**	243,386
Segment results	**(20,152)**	(16,396)	**(7,458)**	18,633	**(18)**	(61)	**(2,932)**	(201)	**(30,560)**	1,975
Other income									**2,160**	4,156
Unallocated corporate expenses									**(5,847)**	(1,465)
Finance costs									**(2,002)**	(1,233)
(Loss)/profit before tax									**(36,249)**	3,433
Income tax expenses									**(2,084)**	(2,905)
(Loss)/profit for the year									**(38,333)**	528

Balance sheet

As at 30 September

	Manufacturing and sales of consumer cosmetics		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets										
Segment assets	**83,255**	56,771	**72,095**	162,388	**36,429**	27,049	**26,889**	18,332	**218,668**	264,540
Unallocated corporate assets									**26,369**	2,265
Total assets									**245,037**	266,805
Liabilities										
Segment liabilities	**23,186**	23,159	**29,149**	36,965	**11,942**	6,456	**2,117**	629	**66,394**	67,209
Unallocated corporate liabilities									**31,958**	22,622
Total liabilities									**98,352**	89,831

Other information

For the year ended 30 September

	Manufacturing and sales of consumer cosmetics		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Unallocated		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditures	**137**	81	**564**	13,843	**4,982**	2,638	**389**	40	**–**	–	**6,072**	16,602
Depreciation of property, plant and equipment	**120**	101	**3,101**	3,323	**1,238**	487	**359**	73	**4**	–	**4,822**	3,984
Goodwill on acquisition	**–**	–	**–**	–	**–**	–	**–**	5,525	**–**	–	**–**	5,525
Inventories written off/allowance for obsolete stocks	**4,301**	9,884	**4,240**	3,748	**–**	–	**1,989**	–	**–**	–	**10,530**	13,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2007

1. GENERAL

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 address of the registered office and principal place of business of the Company are Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies and 18th Floor, West Wing, Sincere Insurance Building, 4-6 Hennessy Road, Admiralty, Hong Kong, respectively. The shares of the Company are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 17 June 2004.

The consolidated financial statements are prepared in Hong Kong dollars because it is considered to provide more useful information to the shareholders as the Company is listed in Hong Kong. The functional currency of the Company and the major subsidiaries of the Group is Renminbi ("RMB").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company and its subsidiaries has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 December 2005, or 1 January 2006. 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 not yet effective. The Group has commenced considering the potential impact of these new or revised HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC)-Int 12	Service Concession Arrangements[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[6]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

[1] *Effective for annual periods beginning on or after 1 January 2007.*

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

[3] *Effective for annual periods beginning on or after 1 November 2006.*

[4] *Effective for annual periods beginning on or after 1 March 2007.*

[5] *Effective for annual periods beginning on or after 1 January 2008.*

[6] *Effective for annual periods beginning on or after 1 July 2008.*

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

4. REVENUE

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

5. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Interest income	**133**	116
Sundry income	**461**	658
Discount on acquisition	**–**	2,592
Written back of staff welfare provision	**744**	–
Net exchange gain	**818**	790
Gain on disposal of property, plant and equipment	**4**	–
	2,160	4,156

6. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest expenses on		
– bank borrowings wholly repayable within five years	**1,939**	1,121
– other borrowings	**63**	112
	2,002	1,233

7. (LOSS)/PROFIT BEFORE TAX

	2007	2006
	HK$'000	*HK$'000*
(Loss)/profit before tax has been arrived at after charging:		
Directors' remuneration	**1,293**	1,385
Other staff costs	**98,766**	44,199
Retirement benefits scheme contributions (excluding directors' remuneration)	**1,051**	598
Total staff costs	**101,110**	46,182
Trade receivables and other receivables written off/allowance for bad and doubtful debts	**688**	1,730
Inventories written off/allowance for obsolete stocks	**10,530**	13,632
Cost of inventories recognised as an expense	**87,508**	84,194
Auditors' remuneration	**420**	687
Amortisation of prepaid lease payments	**575**	219
Depreciation of property, plant and equipment	**4,822**	3,984
Research and development costs	**111**	11
Loss on disposal of property, plant and equipment	**–**	1

8. INCOME TAX EXPENSES

	2007	2006
	HK$'000	*HK$'000*
The amount comprises:		
Hong Kong Profits Tax		
Underprovision in prior years	**–**	6
Taxation arising in the PRC		
Current year	**2,547**	3,002
Overprovision in prior years	**(463)**	(103)
	2,084	2,899
	2,084	2,905

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

In 2006, no provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not have any assessable profit in Hong Kong.

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

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

Pursuant to the relevant 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.

9. DIVIDENDS

The directors of the Company have resolved not to recommend the payment of any dividend for the year ended 30 September 2007 (2006: nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the year is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
(Loss)/earnings:		
(Loss)/profit for the year for the purposes of basic/diluted (loss)/earnings per share	**(38,375)**	639

	2007	2006
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**500,000,000**	500,000,000
Effect of dilutive potential ordinary shares – share option	**–**	4,317,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**500,000,000**	504,317,000

No diluted loss per share have been presented for the year ended 30 September 2007 as there was no dilutive potential ordinary share for the year.

11. PROPERTY, PLANT AND EQUIPMENT

During the year, additions of property, plant and equipment amounted to approximately HK$5,582,000 (at cost) (2006: HK$16,602,000).

12. TRADE AND BILLS RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Trade and bills receivables	**46,048**	58,604
Less: Allowance for bad and doubtful debts	**(2,692)**	(2,004)
	43,356	56,600

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:

	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**28,055**	41,123
91 – 180 days	**7,589**	8,213
181 – 360 days	**3,352**	6,934
Over 360 days	**4,360**	330
	43,356	56,600

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

13. TRADE AND BILLS PAYABLES

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

	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**27,661**	24,608
91 – 180 days	**5,105**	2,272
181 – 360 days	**69**	350
Over 360 days	**612**	1,081
	33,447	28,311

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

14. AMOUNTS DUE TO A MINORITY SHAREHOLDER, A SHAREHOLDER AND A DIRECTOR

The amounts are unsecured, interest free and repayable on demand. The directors consider that the fair value of the amounts due to a minority shareholder, a shareholder and a director approximate to its carrying amounts.

15. CAPITAL COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of		
– acquisition of property, plant and equipment	**–**	4,320
– construction in progress	**–**	1,749
– acquisition of prepaid lease payments	**–**	281
	–	6,350

16. POST BALANCE SHEET EVENTS

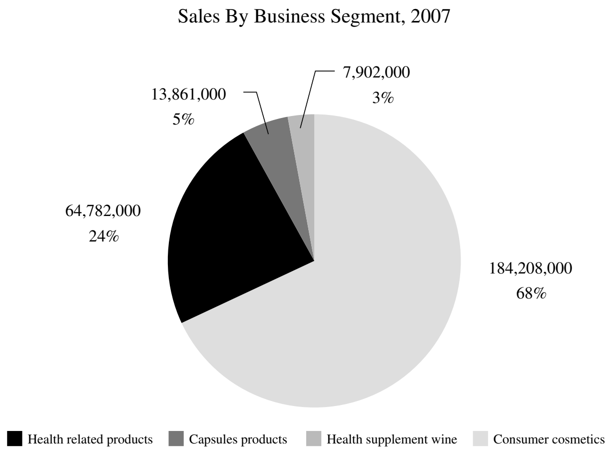
Pursuant to a placing and a subscription agreement entered into after the balance sheet date, the Company issued 33,400,000 ordinary shares of HK$0.10 each at a price of HK$0.33 per share to various independent third parties for cash on 29 October 2007. A net proceed of approximately HK$10,674,000 was raised from such placing.

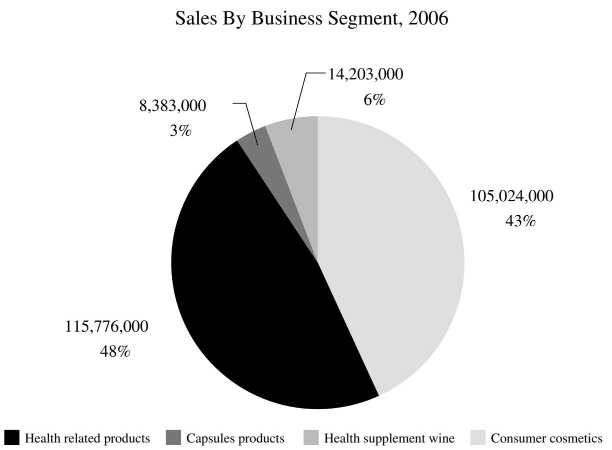
MANAGEMENT DISCUSSION AND ANALYSIS

(A) BUSINESS REVIEW

Revenue

Sales for the year ended 30 September 2007 was approximately HK$270,753,000, while that for the year ended 30 September 2006 was approximately HK$243,386,000, representing an increase of approximately HK$27,367,000 over last year with a growth rate of approximately 11.24%. The increase in sales volume in cosmetics products has brought about an overall increase in sales and the breakdown is as follows:–





Units: Hong Kong dollars, Percentage to the total sales

1. Sales of consumer cosmetics increased by about HK$79,184,000, a growth of approximately 75.40%. Such an increase was mainly due to more promotional efforts, introduction of new products and new packaging design.

2. Sales of health related products decreased by about HK$50,994,000, a drop of approximately 44.05%. Such a decrease was mainly due to the fact that no new product was introduced for the year ended 30 September 2007, aged packaging design and products are out of fashion.

3. Sales of capsule products increased by about HK$5,478,000, a growth of approximately 65.35%. Such an increase was mainly due to more sales efforts and the development of several new clients.

4. Sales of health supplement wine decreased by about HK$6,301,000, a drop of approximately 44.36%. Such a decrease was mainly due to no new product being introduced for the year ended 30 September 2007 and out-moded packaging design.

Gross profit

Gross profit for the financial year ended 30 September 2007 was approximately HK$172,715,000, an increase of HK$27,155,000 when compared with the gross profit of HK$145,560,000 for the same period last year, a growth of approximately 18.66%. Gross margin for the financial year ended 30 September 2007 was approximately 63.79%, an increase of 3.98% when compare with 59.81% for the same period last year. The increase in gross profit was mainly due to structural changes of product mix. As shown in the above graphs, such an increase was due to the proportionate increase in the sales of consumer cosmetics, with a gross margin of approximately 66.64%, higher than the total sales average.

Administrative expenses

Administrative expenses for the financial year ended 30 September 2007 was approximately HK$26,788,000, an increase of approximately HK$552,000 when compared with HK$26,236,000 for the same period last year, a growth of approximately 2.10%. With the more stringent control policies by the headquarter in the second half of the year, the surge of administrative expenses has been controlled, resulting in a slight increase in administrative expenses for the financial year ended 30 September 2007.

Selling and distribution expenses

Selling and distribution expenses for the financial year ended 30 September 2007 was approximately HK$181,714,000, a substantial increase of approximately HK$63,359,000 when compared with HK$118,355,000 for the same period last year, a growth of approximately 53.53%. The increase in selling and distribution expenses was mainly due to the substantial increase in the headcount of first line sales staff in order to boost our sales in the increasingly competitive environment. The increase came mainly from salaries, social insurance and benefits expenses of sales staff, and the substantial surge in expenses for strengthening our sales network, and costs for advertising new products and their entry into the outlets.

Net profit

Loss of the Group for the financial year ended 30 September 2007 was approximately HK$38,333,000, while a profit of HK$528,000 was recorded in the same period last year. Such a loss was mainly due to lack of product differentiation and core competitiveness. Selling and distribution expenses increased by 53.53% (an increase of approximately HK$63,359,000) when compared with the same period last year. A out of dated sales strategy, irresponsiveness to market changes, and ineffectiveness in counter-measures were major reasons driving high sales expenses.

Business review

During the twelve months from October 2006 to September 2007, in order to maintain sales and market position, the management of the Group had decided to invest substantial resources in building and managing the sales network and enhancing the training, benefits and remuneration of first line sales staff. Although the increase in headcount has contributed to the growth in sales, the increase in selling expenses far exceeded the increase in sales revenues and caused the substantial operating losses.

In response to overall increases in raw material prices, surge in sales expenses and price competition in the market place, the Group has endeavored to control its sales expenses and to enhance its product image at the same time. The Group has invested over HK$4 million in advertising across the regions in Jiangsu, Zhejiang and Shanghai and had introduced 8 key products with special features. We had also redesigned the packaging of 12 existing products, reshaped the bottles of 11 and revised the specifications of 5 key products to meet consumer demands.

(B) FUTURE OUTLOOK

Looking forward, the Group will still have to face the challenges of increasing competition, staff costs and expenses. In this regard, the Group has to adjust its overall strategies and implement a policy of "streamlining and strengthening the existing consumer business, entering the fast growing medical industry and improving management capability through hiring high quality staff ".

The Group will endeavor to strengthen the existing business platforms, tightly control its costs, reduce the number of underperforming sales offices and outlets, improve operating efficiencies. At the same time, we will actively search for and launch new consumer and medical products with high technological content and value added to boost sales and margins. These measures, however, will take time to implement and generate significant profits for the Group.

Meanwhile, the Group will further strengthen its management and supervision of its subsidiaries, tighten corporate governance and lead them to operate more efficiently.

The Group has unanimously agreed that the next two years will be an important period for Longlife Group in adjusting and consolidating its strategies. It is also a critical period for the Group to continue its efforts in exploring new sales tactics and new business initiatives.

The directors believe: with full dedication to and firm confidence in creating value for our shareholders, society and our employees, we will achieve our targets by consistently focusing on both internal and external improvements.

(C) FINANCIAL REVIEW

Inventories

The balance of inventories was approximately HK$91,394,000 as at 30 September 2007, representing a decrease of approximately HK$89,000 as compared to the inventory balance of approximately HK$91,483,000 as at 30 September 2006. Although there was a decrease, the balance was still high at HK$91,394,000. This was due to the Group's large number of sales offices and sales outlets, which spread across the PRC. Accordingly, a certain level of stock has to be maintained at all times to ensure smooth delivery and sales. The decrease in stock turnover was attributable to a faster rate in inventory sales than that as at 30 September 2006 and through enhancing sales plans and production plan management, the inventory was also reduced. Moreover, inventories as at 30 September 2007 included stock of approximately HK$1,346,000 of Zhejiang Xinda Zhongshan Capsules Company Limited, and approximately HK$1,461,000 of Jiangsu Longlife Biochemistry Company Limited, both of which are subsidiaries.

Liquidity and financial resources

The Company executes a prudent policy in its financial resources management. The Group had total bank balances and cash (excluding pledged bank deposits) of approximately HK$11,125,000 as at 30 September 2007 and approximately HK$28,760,000 as at 30 September 2006.

The Group generally financed its operations with internally generated cash flows and banking facilities. The financial position of the Group was healthy. As at 30 September 2007, the Group had secured short term bank borrowings of approximately HK$26,850,000 (2006: HK$5,909,000), which are repayable within one year. There was no bank borrowing which was repayable after one year as at 30 September 2007. The bank borrowings which were repayable after one year as at 30 September 2006 were HK$15,462,000. The interest rates of such bank loans are usually at fixed rates.

The gearing ratio (defined as total borrowings including bank loans and amounts due to a director and a shareholder to total assets) as at 30 September 2007 and 2006 was approximately 11.60% and 8.20% respectively. The increase in the gearing ratio is mainly due to an increase in bank loans employed.

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 year except for the appreciation of the Renminbi during the year.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2007.

Capital Commitment

Capital expenditure included those contracted for but not provided in the financial statements and the respective capital commitments as at 30 September 2007.

(D) EMPLOYEES' REMUNERATION

As at 30 September 2007, the Group had 9,581 employees (2006: 7,174) from its various offices located in the PRC. Total staff costs for the year ended 30 September 2007 was approximately HK$98,766,000 (2006: HK$46,182,000). The increase in salaries was mainly due to the substantial increase of sales staff headcount and increase in salary levels.

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

The employees of the subsidiaries of the Company in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government.

The relevant subsidiaries are required to make contributions to the defined contribution pension scheme in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to a retirement pension calculated with reference to their basis salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

In addition, pursuant to the regulations stipulated by the PRC government, the PRC subsidiaries started a defined contribution health care scheme with effect from 1 July 2003. The employees currently under the defined contribution pension scheme are entitled to the health care scheme. Under the scheme, the PRC subsidiaries and the relevant employees have to contribute a certain percentage of the employees' salaries to the scheme respectively.

All directors' salaries paid during the year are based on their respective service contracts except for the non-executive directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SECURITIES

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

AUDIT COMMITTEE

During the year ended 30 September 2007, the audit committee of the Company comprises three independent non-executive directors, Messrs. Yin Jing Le, Yu Jie and Luk Yu King, James. Subsequent to the balance sheet date on 30 November 2007, Mr. Luk Yu King, James resigned as independent non-executive director and member of audit committee of the Company. Mr. Chong Cha Hwa was appointed as independent non-executive director and member of audit committee of the Company on 3 December 2007.

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

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 specified 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 the directors.

SPONSOR'S INTERESTS

The sponsor agreement dated 1 June 2004 between the Company and CSC Asia Limited ("CSC Asia") for the appointment of CSC Asia as sponsor of the Company under the GEM Listing Rules was terminated on 30 June 2006. With effect from 1 July 2006, First Shanghai Capital Limited ("First Shanghai") was appointed as the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules. The appointment of First Shanghai has been terminated before 30 September 2007.

CORPORATE GOVERNANCE REPORT

Throughout the year ended 30 September 2007, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited except or the deviations to Codes A.1.3, A.2.1, A.4.1, A.4.2, A6.1 and C2.1 as explained below.

Code provisions A1.3 and A6.1 stipulate that 14-days notice should be given for each regular board meeting and that in respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or such other period as agreed). The Company agrees that sufficient time should be given to the Directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings and provision of information to ensure efficient and prompt management decisions could be made.

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.

During the year ended 30 September 2007, Mr. Yao Feng ("Mr. Yao") (formerly Mr. Yang Hong Gen who resigned as the chairman and chief executive officer of the Company on 22 March 2007), is both the chairman and chief executive officer of the Company who is responsible for managing the Board and the Group's business. Mr. Yao has been both chairman and chief executive officer of the Company since 22 March 2007. The Board considers that Mr. Yao 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.

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

Apart from the executive directors and independent non-executive directors, the non-executive director of the Company is not appointed for specific terms. However, the non-executive director is subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles"). Accordingly the Company believes that the non-executive directors ought to be committed to representing 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.

Code provision A4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Articles of the Company, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that the Chairman, Deputy Chairman or managing Director shall not be subject to retirement by rotation. The Company's Articles deviate from the code provision. The Company considered that the continuity of the Chairman/Deputy Chairman/managing Director and their leadership is essential for the stability of the business and key management.

Pursuant to code provision C2.1, the directors should at least annually conduct a review of the effectiveness of the system of internal control of the Group and report to shareholders that they have done so in the Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

During the year ended 30 September 2007, the internal control committees have completed the preliminary review of the internal control system. The internal control committees have identified certain area of weakness, especially in the sales network management. The report (together with recommendations) is due to be reported to the board of directors for their review and endorsement.

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

Hong Kong, 27 December 2007

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

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

Independent non-executive Directors as at date of this announcement:
Mr. Yin Jing Le (尹景樂)
Mr. Yu Jie (俞杰)
Mr. Chong Cha Hwa (張家華)

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