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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2008

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

The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Longlife Group Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 September 2008, together with the comparative figures in 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	4	**272,277**	270,753
Cost of sales		**(111,725)**	(98,038)
Gross profit		**160,552**	172,715
Other income	6	**1,001**	2,160
Administrative expenses		**(32,192)**	(26,788)
Selling and distribution expenses		**(161,715)**	(181,714)
Other expenses		**(768)**	(620)
Finance costs	7	**(2,769)**	(2,002)
Loss before tax	8	**(35,891)**	(36,249)
Income tax expenses	9	**(1,534)**	(2,084)
Loss for the year		**(37,425)**	(38,333)
Attributable to:			
Equity holders of the Company		**(38,187)**	(38,375)
Minority interests		**762**	42
		(37,425)	(38,333)
Loss per share	11		
– Basic		**(7.19 HK cent)**	(7.68 HK cent)

CONSOLIDATED BALANCE SHEET

As 30 September 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Goodwill		**5,640**	5,525
Property, plant and equipment	*12*	**52,513**	50,197
Prepaid lease payments		**18,098**	15,236
		76,251	70,958
CURRENT ASSETS			
Prepaid lease payments		**620**	517
Inventories		**89,044**	91,394
Trade and bills receivables	*13*	**52,441**	43,356
Prepayments and other receivables		**13,714**	17,598
Tax recoverable		**563**	474
Pledged bank deposits		**3,946**	9,615
Bank balances and cash		**11,751**	11,125
		172,079	174,079
CURRENT LIABILITIES			
Trade and bills payables	*14*	**36,805**	33,447
Other payables and accruals		**31,994**	34,552
Bank and other borrowings – due within one year		**34,457**	26,850
Amount due to a minority shareholder	*15*	**3,241**	2,005
Amount due to a shareholder	*15*	**3,414**	1,498
Amount due to a director	*15*	**500**	–
Tax payable		**313**	–
		110,724	98,352
NET CURRENT ASSETS		**61,355**	75,727
TOTAL ASSETS LESS CURRENT LIABILITIES		**137,606**	146,685
NON-CURRENT LIABILITY			
Bank and other borrowings – due after one year		**3,065**	–
NET ASSETS		**134,541**	146,685
CAPITAL AND RESERVES			
Share capital		**53,340**	50,000
Reserves		**73,808**	90,973
Equity attributable to equity holders of the Company		**127,148**	140,973
Minority interests		**7,393**	5,712
		134,541	146,685

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 1)	Statutory surplus reserve fund HK$'000 (Note 2)	Statutory enterprise expansion fund HK$'000 (Note 3)	Exchange Reserve HK$'000	Retained profits (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
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) profit for the year	–	–	–	–	–	–	(38,375)	(38,375)	42	(38,333)
Total recognised income and expense 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
Exchange difference arising on translation of foreign operations	–	–	–	–	–	13,688	–	13,688	589	14,277
(Loss) profit for the year	–	–	–	–	–	–	(38,187)	(38,187)	762	(37,425)
Total recognised income and expense for the year	–	–	–	–	–	13,688	(38,187)	(24,499)	1,351	(23,148)
Issue of shares during the year	3,340	7,682	–	–	–	–	–	11,022	–	11,022
Transaction costs attributable to issue of new shares	–	(348)	–	–	–	–	–	(348)	–	(348)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	330	330
At 30 September 2008	**53,340**	**15,479**	**22,443**	**15,479**	**3,098**	**28,436**	**(11,127)**	**127,148**	**7,393**	**134,541**

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2008

1. GENERAL

Longlife Group Holdings Limited (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 are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 June 2004.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the PRC whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries are HK$.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 October 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation ("INT") 10	Interim Financial Reporting and Impairment
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions

The principal effects of adoption of these new and revised HKFRSs are as follows:

Amendment to HKAS 1 Presentation of Financial Statements – Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

Amendments to HKAS 39 and HKFRS 7 Reclassification of Financial Assets

Those amendments permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments to HKAS 39 and HKFRS 7 have had no effect on these financial statements.

HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

HK(IFRIC)-INT 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 31 March 2008, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

HK(IFRIC)-INT 11 HKFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. The Group expects that the adoption of this interpretation will not have any significant impact on the Group's financial statements as it is consistent with the Group's current accounting policy.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items[3]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 12	Service Concession Arrangements[4]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[5]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation[6]
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.
4 Effective for annual periods beginning on or after 1 January 2008.
5 Effective for annual periods beginning on or after 1 July 2008.
6 Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company has commenced considering the potential impact of other new or revised standards, amendments or interpretations, but is not yet in a position to determine whether these new or revised standards, amendments or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented.

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. TURNOVER

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

5. SEGMENT INFORMATION

The Group engaged in the manufacture, research and development and distribution of consumer cosmetic, health related products, capsules products, health supplement wine and dental materials and equipment 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:

Consolidated 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		Manufacturing and sales of dental materials and equipment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**161,863**	184,208	**71,833**	64,782	**26,326**	13,861	**11,916**	7,902	**339**	–	**272,277**	270,753
Segment results	**(24,234)**	(20,152)	**(1,585)**	(7,458)	**3,172**	(18)	**(5,624)**	(2,932)	**(2,356)**	–	**(30,627)**	(30,560)
Other income											**1,001**	2,160
Unallocated corporate expenses											**(3,496)**	(5,847)
Finance costs											**(2,769)**	(2,002)
Loss before tax											**(35,891)**	(36,249)
Income tax expenses											**(1,534)**	(2,084)
Loss for the year											**(37,425)**	(38,333)

Other information

	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		Manufacturing and sales of dental materials and equipment		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditures	**123**	137	**192**	564	**1,905**	4,982	**340**	389	**5,599**	–	**–**	–	**8,159**	6,072
Amortisation of prepaid lease payments	**–**	–	**202**	189	**84**	49	**300**	277	**17**	–	**–**	–	**603**	515
Depreciation of property, plant and equipment	**97**	120	**3,094**	3,101	**1,692**	1,238	**449**	359	**3**	–	**16**	4	**5,351**	4,822
Inventories written off/ allowance for obsolete stocks	**4,152**	4,301	**2,763**	4,240	**213**	–	**291**	1,989	**–**	–	**–**	–	**7,419**	10,530
Loss (gain) on disposal of property, plant and equipment	**–**	–	**226**	(18)	**–**	–	**–**	–	**–**	–	**–**	14	**226**	(4)
Trade and other receivables written off/ allowance bad and doubtful debts	**–**	–	**877**	92	**1,518**	596	**–**	–	**7**	–	**–**	–	**2,402**	688

Consolidated 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		Manufacturing and sales of dental materials and equipment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets												
Segment assets	**81,100**	83,255	**66,670**	72,095	**45,028**	36,429	**26,650**	26,889	**9,760**	–	**229,208**	218,668
Unallocated corporate assets											**19,122**	26,369
Total assets											**248,330**	245,037
Liabilities												
Segment liabilities	**22,254**	23,186	**28,918**	29,149	**13,875**	11,942	**2,369**	2,117	**6,283**	–	**73,699**	66,394
Unallocated corporate liabilities											**40,090**	31,958
Total liabilities											**113,789**	98,352

6. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest income	**289**	133
Sundry income	**712**	461
Written back of staff welfare provision	**–**	744
Net exchange gain	**–**	818
Gain on disposal of property, plant and equipment	**–**	4
	1,001	2,160

7. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest expenses on:		
– bank borrowings wholly repayable within five years	**2,359**	1,939
– other borrowings wholly repayable within five years	**410**	63
	2,769	2,002

8. LOSS BEFORE TAX

	2008	2007
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Directors' remuneration	**1,211**	1,293
Other staff costs	**99,939**	98,766
Retirement benefits scheme contributions (excluding directors' remuneration)	**1,586**	1,051
Total staff costs	**102,736**	101,110
Trade and other receivables written off/allowance for bad and doubtful debts	**2,402**	688
Inventories written off/allowance for obsolete stocks	**7,419**	10,530
Cost of inventories recognised as an expense	**111,725**	98,038
Auditors' remuneration	**595**	420
Amortisation of prepaid lease payments	**603**	515
Depreciation of property, plant and equipment	**5,351**	4,822
Loss on disposal of property, plant and equipment	**226**	–
Net exchange loss	**382**	–
Research and development costs	**125**	111

9. INCOME TAX EXPENSES

	2008	2007
	HK$'000	*HK$'000*
The amount comprises:		
Taxation arising in the PRC		
Current year	**1,446**	2,547
Under (over) provision in prior years	**88**	(463)
	1,534	2,084

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group's income neither arose in, nor was derived from Hong Kong for the year (2007: Nil).

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

Pursuant to the relevant law and regulations in the PRC, certain subsidiaries of the Company in the PRC are exempted from PRC Enterprise Income Tax for two years starting from the first profit making year in which profits exceed any carried forward tax losses followed by a 50% tax relief for PRC Enterprise Income Tax for the following three years.

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

For the year ended 30 September 2007, the domestic income tax rate of 24% represents the PRC Foreign Enterprise Income Tax of which the Group's operations are substantially based.

10. DIVIDENDS

The directors of the Company have resolved not to recommend the payment of any dividend for the year ended 30 September 2008 (2007: Nil).

11. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Loss:		
Loss for the year for the purposes of basic loss per share	**(38,187)**	(38,375)

	2008	2007
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**531,392,000**	500,000,000

No diluted loss per share have been presented for the two years ended 30 September 2008 and 2007 as there was no dilutive potential ordinary share for both years.

12. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group purchased property, plant and equipment amounted to approximately HK$6,970,000 (at cost) (2007: HK$5,582,000).

During the year, property, plant and equipment with an aggregate amount of approximately HK$7,000 was acquired by the Group through acquisition of a subsidiary (2007: Nil).

13. TRADE AND BILLS RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade and bills receivables	**57,389**	46,048
Less: Allowance for bad and doubtful debts	**(4,948)**	(2,692)
	52,441	43,356

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:

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**31,934**	28,055
91 – 180 days	**14,018**	7,589
181 – 365 days	**5,522**	3,352
Over 365 days	**967**	4,360
	52,441	43,356

Ageing analysis of trade receivables past due but not impaired:

	2008	2007
	HK$'000	*HK$'000*
91 – 180 days	**14,018**	7,589
181 – 365 days	**5,522**	3,352
Over 365 days	**967**	4,360
	20,507	15,301

Trade receivables that were past due but not impaired related to customers that have a good repayment record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for bad and doubtful debts is as follows:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**2,692**	2,004
Exchange realignment	**331**	–
Impairment loss recognised during the year	**1,925**	688
Balance at end of the year	**4,948**	2,692

At each of the balance sheet dates, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over the balances.

14. TRADE AND BILLS PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**32,186**	27,661
91 – 180 days	**1,878**	5,105
181 – 365 days	**1,558**	69
Over 365 days	**1,183**	612
	36,805	33,447

The bills payables were secured by the Group's bank deposits amounting to HK$3,946,000 (2007: HK$9,615,000).

15. AMOUNT DUE TO A MINORITY SHAREHOLDER, A SHAREHOLDER AND A DIRECTOR

The amounts are unsecured, interest-free and repayable on demand.

16. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged by the Group to secure banking facilities:

	2008	2007
	HK$'000	*HK$'000*
Prepaid lease payments	**15,972**	14,789
Property, plant and equipment	**25,538**	28,829
Bank deposits	**3,946**	9,615
	45,456	53,233

DIVIDENDS

The Directors did not recommend the payment of a final dividend (2007: Nil).

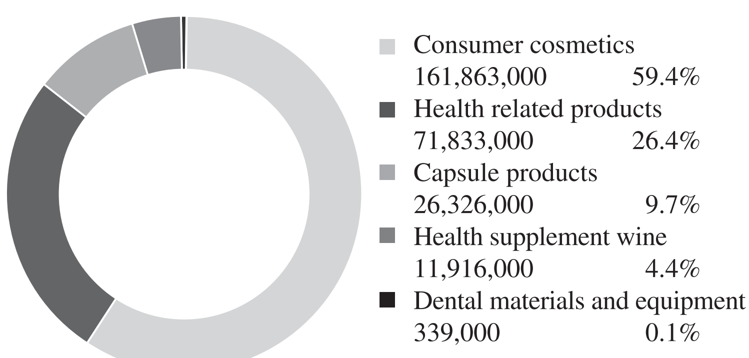
MANAGEMENT DISCUSSION AND ANALYSIS

(A) Business Review

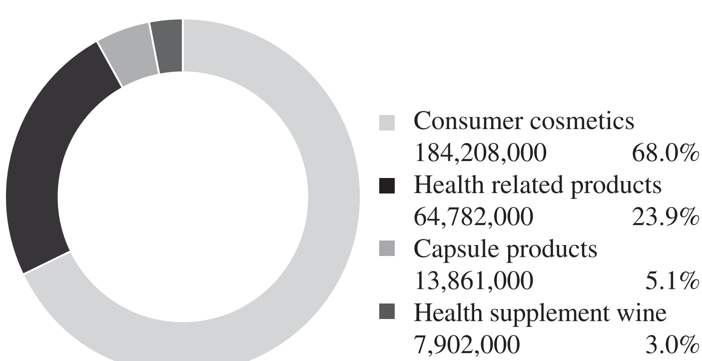
Revenue

Sales for the year ended 30 September 2008 was approximately RMB247,772,000 (equivalent to approximately HK$272,277,000), while that for the year ended 30 September 2007 was approximately RMB268,553,000 (equivalent to approximately HK$270,753,000), representing a decrease of approximately RMB20,781,000, or approximately 7.7% over last year in terms of RMB (equivalent to an increase of approximately HK$1,524,000, or approximately 0.6% in terms of HK$). In 2008, the Group changed its market strategy and optimised its sales channels by using professional distributors and closing down under-performed sales points, leading to a drop in sales revenues. However, with the above streamlining and optimisation initiatives, the sales structure of the Group has been greatly improved to face the unfavourable market conditions of weakened purchasing power amid the financial turmoil. Due to the significant appreciation of RMB in 2008, the Group's sales saw a moderate improvement when translated into HK$. The Group's business breakdown is as follows:

Sales and Percentage to Total Sales by Business Segment, 2008 (in HK$)



Sales and Percentage to Total Sales by Business Segment, 2007 (in HK$)



1. Sales of consumer cosmetics, which accrue higher sales cost, decreased to approximately RMB147,295,000 (equivalent to approximately HK$161,863,000), representing a decrease of approximately 19.4% (a decrease of approximately 12.1% in HK$) in 2008 as the Group scaled down the business.

2. Sales of health related products, which has higher profitability, remained at approximately RMB65,368,000 (equivalent to approximately HK$71,833,000), representing a slight increase of approximately 1.7% (an increase of approximately 10.9% in HK$) in 2008. The sales of the Group's health related products were among the top three in major markets such as Shanghai.

3. Sales of capsule products recorded a significant increase of approximately 74.3% (an increase of approximately 89.9% in HK$) to approximately RMB23,957,000 (equivalent to approximately HK$26,326,000) in 2008. The increase was mainly due to successful marketing efforts of the Group to secure new customers during the recovery of the local pharmaceutical industry.

4. Sales of health supplement wine amounted to approximately RMB10,844,000 (equivalent to approximately HK$11,916,000), representing an increase of approximately 38.3% (an increase of approximately 50.8% in HK$) in 2008.

5. The Group's new dental materials and equipment business recorded sales of approximately RMB308,490 (equivalent to approximately HK$339,000, while no sales were recorded for the previous year) for the year. With limited resources, the Group proactively explored the opportunities of its new dental business and realised sales revenue from dental trading activities.

Gross profit

Gross profit for the year ended 30 September 2008 was approximately RMB146,102,000, representing a decrease of approximately RMB25,209,000, or a decline of approximately 14.7%, when compared with the gross profit of approximately RMB171,312,000 for last year. (Gross profit for the year ended 30 September 2008 was approximately HK$160,552,000, representing a decrease of approximately HK$12,163,000, or a decline of approximately 7.0%, when compared with the gross profit of approximately HK$172,715,000 for last year.) Gross margin for the year ended 30 September 2008 was approximately 59.0%, a decrease of approximately 4.8 percentage points when compared with approximately 63.8% for last year. The decrease in gross margin was mainly due to the increased prices of raw materials, higher labour costs and price adjustment of consumer cosmetics under severe competition.

Administrative expenses

Administrative expenses for the year ended 30 September 2008 amounted to approximately RMB29,295,000, representing an increase of approximately RMB2,724,000, or a growth of approximately 10.3%, when compared with approximately RMB26,570,000 for last year. (Administrative expenses for the year ended 30 September 2008 amounted to approximately HK$32,192,000, representing an increase of approximately HK$5,404,000, or a growth of approximately 20.2%, when compared with approximately HK$26,788,000 for last year.) The significant increase in administrative expenses was mainly due to the engagement of various dental experts and experienced managerial staff from multinational corporations.

Selling and distribution expenses

Selling and distribution expenses for the year ended 30 September 2008 amounted to approximately RMB147,161,000, representing a substantial decrease of approximately RMB33,077,000 or a decline of approximately 18.4%, when compared with approximately RMB180,238,000 for last year. (Selling and distribution expenses for the year ended 30 September 2008 amounted to approximately HK$161,715,000, representing a substantial decrease of approximately HK$19,999,000 or a decline of approximately 11.0%, when compared with approximately HK$181,714,000 for last year.) The sharp cut in selling and distribution expenses was a result of the change of business strategy by streamlining the sales network in 2008. The strategy enabled the Group to close down a number of under-performed sales points and temporary sales personnel to reduce the selling expenses. Furthermore, the Group allocated the funds saved to more efficient and advantageous sales points and achieved the operating objectives of streamlined structure and higher efficiency of the consumer business.

Loss

For the year ended 30 September 2008, the Group recorded a loss of approximately RMB34,057,000, a decrease of approximately RMB3,965,000, or a decline of approximately 10.4%, when compared with the loss of approximately RMB38,022,000 for last year. (For the year ended 30 September 2008, the Group recorded a loss of approximately HK$37,425,000, a decrease of approximately HK$908,000, or a decline of approximately 2.4%, when compared with the loss of approximately HK$38,333,000 for last year.) The decisive streamline strategy of the consumer business adopted in 2008 has successfully avoided further deterioration of results in unfavourable market conditions such as the spread of financial turmoil, reduced consuming power, fiercer competitions as well as the surge in costs of labour and raw materials. In addition to the endeavored exploration of new dental business, the Group reduced sales cost by cutting unnecessary expenses. However, due to the one-off compensation for laid-off personnel and the surge in costs of labour and raw materials, the Group still recorded a loss for the year but improvement was made when compared with that of last year. The fine tune of strategy will lay a solid foundation for the long term development of the Group.

Business Review

The Group has streamlined and optimised its consumer business, invested in and expanded into the new dental business, and tackled the problems related to its current business and management in 2008. The Group is now well-prepared for the future development.

At the beginning of 2008, the Group promptly and decisively adopted a strategy to streamline and optimise its consumer business after its management had analysed the competition in the market and the new business environment. The Group analysed and streamlined the whole sales network through closing down under-performed sales points, laying off excessive marketing staff and implementing a sales responsibility policy. These measures effectively consolidated the Group's market share and reduced excessive labour cost and distribution cost. Furthermore, the Group also improved and optimised outstanding sales points and launched more new products. The Group also enhanced its product portfolio and customer base by the use of professional distributors.

The Group expanded into the new dental business in 2008 under the leadership of the Board. For this purpose, the Group established a dental department to conduct a comprehensive research about the dental industry and initially engaged in the dental trading business with its existing sales network. The Group acquired the controlling interests in Wuxi Yongle Medical Devices Co., Ltd., the largest distributor of dental products in Wuxi City, to commence its dental products distribution business in the PRC.

(B) Future Outlook

As the macroeconomic conditions of China will further deteriorate in 2009 and the public will be more cautious in spending, the Group will have advantage for its quality products of competitive prices. The Group will continue to implement its sales responsibility policy, enhance the marketing efforts of its consumer business, control the costs and improve profit margin. It will also further enhance the business model which requires less capital investment and is characterised by strengthened operation and all-round services. Leveraging on its distribution network, the Group will proactively secure product dealership and distributors. The Group will endeavour to develop its dental business into a successful one with the help of its marketing resources of consumer products to generate return and profit for the Group.

In 2009, in order to build up a robust supporting platform for the Group's long term development, it will further intensify its reorganization and reformation by refining its organization, manpower structure and remuneration package as well as sculpturing its corporate culture. Meanwhile, the Group will lead its subsidiaries to operate more efficiently by further strengthening its management and supervision over them and tightening their corporate governance.

The Group believes that years 2008 and 2009 are not only an important period to adjust its strategy and business, but also a vital chance to explore new sales channels and open up new domains for its business. The Directors believe that with full dedication to and firm confidence in creating value for our shareholders, society and our employees, we will achieve our targets by focusing on both internal enhancement and business improvements.

(C) Financial Review

Inventories

The inventories were approximately RMB78,448,000 as at 30 September 2008, a decrease of approximately RMB10,052,000, or a decline of approximately 11.4%, as compared to the inventory of approximately RMB$88,500,000 for the corresponding period in 2007. (The inventories were approximately HK$89,044,000 as at 30 September 2008, representing a decrease of approximately HK$2,350,000, or a decline of approximately 2.6%, as compared to the inventory of approximately HK$91,394,000 for the corresponding period in 2007.) The inventories were still high due to the extensive network of the Group's sales offices and sales outlets, which requires a certain level of stock to be maintained at all times to accommodate retail needs and ensure smooth delivery and sales. The decrease in stock turnover was mainly attributable to the shortened storage period through sales plans enhancement and production plan management by the Group.

Liquidity and financial resources

The Group adopts a prudent policy for its financial resources management. The Group had cash and bank balances (less pledged bank deposits) of approximately RMB10,352,000 (equivalent to approximately HK$11,751,000) and approximately RMB10,772,000 (equivalent to approximately HK$11,125,000), respectively, as at 30 September 2008 and 2007.

The Group generally finances its operations with internally generated cash flows and banking facilities and has healthy financial position. As at 30 September 2008, the Group had bank borrowings of approximately RMB32,800,000 (equivalent to approximately HK$37,230,000) (2007: approximately RMB26,000,000, equivalent to approximately HK$26,850,000), of which approximately RMB30,100,000 (equivalent to approximately HK$34,165,000) (2007: approximately RMB26,000,000, equivalent to approximately HK$26,850,000) are repayable within one year, and approximately RMB2,700,000 (equivalent to approximately HK$3,065,000) (2007: Nil) are repayable after one year as at 30 September 2008. The Group also had unsecured other borrowings of approximately RMB257,000 (equivalent to approximately HK$292,000) (2007: Nil), which are repayable within one year. The interests of such bank and other borrowings usually accrue at fixed rates.

Details of assets pledged by the Group to secure banking facilities are set out in note 16 to the financial statements.

The gearing ratio (defined as total borrowings to total assets) of the Group as at 30 September 2008 and 2007 were approximately 18.0% and approximately 12.4% 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 RMB and the exchange rates of these currencies were relatively stable throughout the year 2008 except for the appreciation of RMB during the year.

Contingent liabilities

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

Capital Commitment

Capital expenditure included those contracted for but not provided in the financial statements and the respective capital commitments as at 30 September 2008 amounted to approximately RMB6,002,000 (equivalent to approximately HK$6,813,000) (2007: Nil).

(D) Employees' Remuneration

As at 30 September 2008, the Group, directly and indirectly, had 5,721 employees (2007: 9,581). Total staff costs for the year ended 30 September 2008 was approximately RMB93,489,000 (equivalent to approximately HK$102,736,000) (2007: approximately RMB100,288,000, equivalent to approximately HK$101,110,000). The decrease of 6.8% in staff costs of the Group in RMB was mainly due to streamlining of under-performed sales points and sales and marketing staff, which was offset by the one off compensation for lay-off and the increased labour cost due to the implementation of new labour laws.

The Group remunerates its employees based on their performance, experience and the prevailing market level. Performance related bonuses are also 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 of the Group in the PRC participate in a state-managed pension 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 pension calculated with reference to their basic salaries before retirement and the span of their 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 2002. All 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 remunerations paid to the Directors during the year were based on their respective service contracts except for the non-executive Director.

SEGMENTAL INFORMATION

Segmental information of the Group is set out in note 5 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group has no material acquisitions and disposals of subsidiaries and associated companies for the year ended 30 September 2008.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed above and in this section of "Management Discussion and Analysis", the Directors do not have any future plans for material investment or capital assets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICE

The Group recognise the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all of its shareholders. The Group is fully committed to doing so. It is with the objectives in mind that the Group has applied such principles and will comply with the individual code provisions.

Throughout the year ended 30 September 2008, the Company has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules, except for the deviations to Code A.2.1 and A.4.1 as below. The Board will continue to review regularly and take appropriate actions to comply with the Code.

1. Chairman and Chief Executive Officer

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

For the year ended 30 September 2008, Mr. Yao Feng was the chairman of the Company from 5 October 2007 to 31 October 2007. And Mr. Zheng Lixin was appointed as the chairman and chief executive officer of the Company on 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 A.4.1 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 Company's articles of association. Accordingly the Company believes that the non-executive Director 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.

AUDIT COMMITTEE

The Company established an 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 and discussed with the management and the external auditors financial reporting matters including the annual results for the year ended 30 September 2008.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 30 September 2008. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 30 September 2008.

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

Hong Kong, 19 December 2008

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

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

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

This announcement will remain on the "Latest Company Announcement" page of the GEM Website at www.hkgem.com for a minimum period of seven days from the day of its posting and on the website of the Company at www.longlifechina.com.