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 2009

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 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.

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 (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 2009, together with the comparative figures in 2008, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Turnover	6	**160,522**	272,277
Cost of sales		**(71,641)**	(111,725)
Gross profit		**88,881**	160,552
Other income	7	**2,046**	1,001
Impairment loss recognised in respect of goodwill		**(5,525)**	–
Restructuring and redundancy costs		**(35,030)**	–
Administrative expenses		**(29,886)**	(32,192)
Selling and distribution expenses		**(98,170)**	(161,715)
Other expenses		**(2,367)**	(768)
Finance costs	8	**(3,388)**	(2,769)
Loss before tax	9	**(83,439)**	(35,891)
Income tax expenses	10	**(978)**	(1,534)
Loss for the year		**(84,417)**	(37,425)
Attributable to:			
Equity holders of the Company		**(83,561)**	(38,187)
Minority interests		**(856)**	762
		(84,417)	(37,425)
Loss per share	12		
– Basic		**(15.67 HK cents)**	(7.19 HK cents)

CONSOLIDATED BALANCE SHEET

At 30 September 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Goodwill		–	5,640
Property, plant and equipment	13	**46,291**	52,513
Prepaid lease payments		**16,191**	18,098
		62,482	76,251
CURRENT ASSETS			
Prepaid lease payments		**394**	620
Inventories		**35,568**	89,044
Trade and bills receivables	14	**40,864**	52,441
Prepayments and other receivables		**7,765**	13,714
Tax recoverable		**138**	563
Amount due from a director	16	**56**	–
Pledged bank deposits		**5,675**	3,946
Bank balances and cash		**2,128**	11,751
		92,588	172,079
CURRENT LIABILITIES			
Trade and bills payables	15	**36,885**	36,805
Other payables and accruals		**37,698**	31,994
Bank and other borrowings – due within one year		**20,312**	34,457
Amount due to a minority shareholder	16	**2,851**	3,241
Amount due to a shareholder	16	**4,581**	3,414
Amount due to a director	16	**500**	500
Tax payable		–	313
		102,827	110,724
NET CURRENT (LIABILITIES) ASSETS		**(10,239)**	61,355
TOTAL ASSETS LESS CURRENT LIABILITIES		**52,243**	137,606
NON-CURRENT LIABILITY			
Bank and other borrowings – due after one year		**3,065**	3,065
NET ASSETS		**49,178**	134,541
CAPITAL AND RESERVES			
Share capital		**53,340**	53,340
Reserves		**(10,376)**	73,808
Equity attributable to equity holders of the Company		**42,964**	127,148
Minority interests		**6,214**	7,393
TOTAL EQUITY		**49,178**	134,541

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2009

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 1)	Statutory surplus reserve fund HK$'000 (Note 2)	Statutory enterprise expansion fund HK$'000 (Note 3)	Exchange reserve HK$'000	Retained profits (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 October 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, representing net income recognised directly in equity	–	–	–	–	–	13,688	–	13,688	589	14,277
(Loss) profit for the year, representing total recognised income and expense for the year	–	–	–	–	–	–	(38,187)	(38,187)	762	(37,425)
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
Exchange difference arising on translation of foreign operations, representing net expense recognised directly in equity	–	–	–	–	–	(504)	–	(504)	(4)	(508)
Loss for the year	–	–	–	–	–	–	(83,561)	(83,561)	(856)	(84,417)
Disposal of a subsidiary	–	–	–	–	–	(119)	–	(119)	(319)	(438)
Total recognised income and expense for the year	–	–	–	–	–	(119)	(83,561)	(83,680)	(1,175)	(84,855)
At 30 September 2009	**53,340**	**15,479**	**22,443**	**15,479**	**3,098**	**27,813**	**(94,688)**	**42,964**	**6,214**	**49,178**

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 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 CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2009

1. General Information

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 address of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report. 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$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries are HK$. The reason for selecting HK$ as its presentation currency is because the Company is a public company listed on the Growth Enterprise Market of The Stock Exchange, where most of the investors are located in Hong Kong.

2. Basis of Preparation

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively referred to as the "Group") as the Group sustained continuous operating losses and incurred loss of approximately HK$84,417,000 for the year ended 30 September 2009 and net current liabilities of approximately HK$10,239,000 as at 30 September 2009. In view of the substantial losses in consecutive years and the liquidity position of the Group, the directors have adopted the following measures with a view to maintain the Group's existence as a going concern and to improve the Group's overall financial and cash flow position:

(a) subsequent to the balance sheet date, in December 2009, Mr. Yang Hong Gen, a major shareholder of the Company, agreed to provide additional financing to the Group amounted to approximately RMB18,000,000 (equivalents to approximately HK$20,429,000) that will be deposited into the Group progressively. Up to the date of this announcement, amount of approximately RMB17,950,000 (equivalents to approximately HK$20,372,000) has been deposited into the Group. The shareholder loans are unsecured, born interest at 5% per annum and repayable when the Group is financially capable to do so;

(b) subsequent to the balance sheet date, on 18 December 2009, the Group has entered an agreement with an independent third party to dispose certain of its land use right located in the PRC at a consideration of RMB12,000,000 (equivalents to approximately HK$13,619,000);

(c) the directors of the Company anticipate that the Group will generate positive cash flows from its businesses; and

(d) the Group continues to implement measures to tighten cost controls over various operating expenses and to improve the Group's operating results and positive cash flow operation.

In the opinion of the directors of the Company, if the measures described above accomplish the expected results, the directors are satisfied that the Group will be able to have sufficient working capital to meet in full its financial obligations as they fall due in the foreseeable future and be able to return to a commercially viable concern. Accordingly, the directors of the Company considered that it is appropriate to prepare the consolidated financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 30 September 2009.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, the following amendments 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 2008.

HK(IFRIC)-Interpretation ("INT") 12	Service Concession Arrangements
HK(IFRIC)-INT 9 and Hong Kong Accounting Standard ("HKAS") 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-INT 13	Customer Loyalty Programmes
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-INT 18	Transfers of Assets from Customers

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs May 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs April 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendment)	Financial instruments: Presentation – Classification of Rights Issues[6]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HKFRS 9	Financial Instruments[8]
HK(IFRIC)-INT 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[7]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments[9]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 February 2010
7 Effective for annual periods beginning on or after 1 January 2011
8 Effective for annual periods beginning on or after 1 January 2013
9 Effective for annual periods beginning on or after 1 July 2010

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 anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. Significant Accounting Policies

The consolidated financial statements have been prepared on 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.

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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**86,140**	161,863	**42,702**	71,833	**23,798**	26,326	**7,223**	11,916	**659**	339	**160,522**	272,277
Segment results	**(21,491)**	(24,234)	**(8,587)**	(1,585)	**(1,201)**	3,172	**(3,380)**	(5,624)	**(2,290)**	(2,356)	**(36,949)**	(30,627)
Interest income											**152**	289
Other income											**1,894**	712
Impairment loss recognised in respect of goodwill											**(5,525)**	–
Restructuring and redundancy costs											**(35,030)**	–
Unallocated corporate expenses											**(4,593)**	(3,496)
Finance costs											**(3,388)**	(2,769)
Loss before tax											**(83,439)**	(35,891)
Income tax expenses											**(978)**	(1,534)
Loss for the year											**(84,417)**	(37,425)

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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**1,456**	123	**83**	192	**496**	1,905	**–**	340	**1,088**	5,606	**–**	–	**3,123**	8,166
Amortisation of prepaid lease payments	**309**	–	**209**	202	**78**	84	**–**	300	**24**	17	**–**	–	**620**	603
Depreciation of property, plant and equipment	**586**	97	**2,159**	3,094	**1,783**	1,692	**–**	449	**92**	3	**–**	16	**4,620**	5,351
Impairment loss recognised in respect of property, plant and equipment	**–**	–	**–**	–	**850**	–	**–**	–	**–**	–	**–**	–	**850**	–
Gain on disposal of prepaid lease payment	**(807)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(807)**	–
(Written back of) allowance for obsolete stocks	**–**	4,152	**–**	2,763	**(109)**	213	**–**	291	**–**	–	**–**	–	**(109)**	7,419
Gain on disposal of a subsidiary	**–**	–	**–**	–	**–**	–	**–**	–	**(137)**	–	**–**	–	**(137)**	–
Loss on disposal of property, plant and equipment	**858**	–	**26**	226	**112**	–	**–**	–	**–**	–	**–**	–	**996**	226
Trade and other receivables written off/allowance for bad and doubtful debts	**1,108**	–	**562**	877	**3,330**	1,518	**95**	–	**–**	7	**67**	–	**5,162**	2,402

Capital expenditure for the year ended 30 September 2008 includes additions resulting from acquisitions through business combinations, amounting to approximately HK$7,000.

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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**53,557**	81,100	**39,753**	66,670	**38,788**	45,028	**8,430**	26,650	**6,426**	9,760	**146,954**	229,208
Unallocated corporate assets											**8,116**	19,122
Total assets											**155,070**	248,330
Liabilities												
Segment liabilities	**35,392**	22,254	**20,923**	28,918	**14,049**	13,875	**2,387**	2,369	**401**	581	**73,152**	67,997
Unallocated corporate liabilities											**32,740**	45,792
Total liabilities											**105,892**	113,789

6. Turnover

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

7. Other Income

	2009 HK$'000	2008 HK$'000
Net exchange gain	**896**	–
Gain on disposal of prepaid lease payments	**807**	–
Interest income	**152**	289
Gain on disposal of a subsidiary	**137**	–
Sundry income	**54**	712
	2,046	1,001

8. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest expenses on:		
– bank borrowings wholly repayable within five years	**2,995**	2,416
– other borrowings wholly repayable within five years	**39**	89
– discounted bills interest	**354**	264
	3,388	2,769

9. Loss Before Tax

	2009 HK$'000	2008 HK$'000
Loss before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,707**	1,211
Other staff costs	**62,716**	99,939
Retirement benefits scheme contributions (excluding directors' remuneration)	**2,513**	1,586
Total staff costs	**66,936**	102,736
Trade and other receivables written off/allowance for bad and doubtful debts (included in administrative expenses)	**5,162**	2,402
(Written back of) allowance for obsolete stocks (included in cost of sales)	**(109)**	7,419
Cost of inventories recognised as an expense	**71,641**	111,725
Auditors' remuneration	**460**	595
Amortisation of prepaid lease payments	**620**	603
Depreciation of property, plant and equipment	**4,620**	5,351
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	**850**	–
Loss on disposal of property, plant and equipment	**996**	226
Net exchange loss	**–**	382
Research and development costs	**–**	125

10. Income Tax Expenses

	2009	2008
	HK$'000	HK$'000
The amount comprises:		
Taxation arising in the PRC		
Current year	**548**	1,446
Under provision in prior years	**430**	88
	978	1,534

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 both years.

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.

11. Dividends

No dividend was paid or proposed during the year ended 30 September 2009, nor has any dividend been proposed since the balance sheet date (2008: nil).

12. Loss Per Share

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

	2009	2008
	HK$'000	HK$'000
Loss:		
Loss for the year for the purposes of basic loss per share	**(83,561)**	(38,187)

	2009	2008
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**533,400,000**	531,392,000

No diluted loss per share have been presented for the two years ended 30 September 2009 and 2008 as there was no dilutive potential ordinary share for both years.

13. Property, Plant and Equipment

During the year, the Group purchased property, plant and equipment amounted to approximately HK$3,123,000 (at cost) (2008: HK$6,970,000).

During the year ended 30 September 2009, the management considered that there would be no or minimal future economic benefits generated from certain property, plant and equipment, accordingly, an impairment loss of approximately HK$850,000 (2008: nil) had been recognised in the consolidated income statement. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use were 15%.

14. Trade and Bills Receivables

	2009	2008
	HK$'000	HK$'000
Trade and bills receivables	**50,907**	57,389
Less: Allowance for bad and doubtful debts	**(10,043)**	(4,948)
	40,864	52,441

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:

	2009	2008
	HK$'000	HK$'000
0 – 90 days	**26,361**	31,934
91 – 180 days	**8,726**	14,018
181 – 365 days	**5,721**	5,522
Over 365 days	**56**	967
	40,864	52,441

Ageing analysis of trade receivables past due but not impaired:

	2009	2008
	HK$'000	HK$'000
91 – 180 days	**8,726**	14,018
181 – 365 days	**5,721**	5,522
Over 365 days	**56**	967
	14,503	20,507

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:

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	**4,948**	2,692
Exchange realignment	**–**	331
Write back of allowance for bad and doubtful debts	**(61)**	–
Trade receivables allowance for bad and doubtful debts	**5,156**	1,925
Balance at end of the year	**10,043**	4,948

At each of the balance sheet dates, included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of approximately HK$10,043,000 (2008: HK$4,948,000). 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.

15. Trade and Bills Payables

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

	2009 HK$'000	2008 HK$'000
0 – 90 days	**19,265**	32,186
91 – 180 days	**11,084**	1,878
181 – 365 days	**5,513**	1,558
Over 365 days	**1,023**	1,183
	36,885	36,805

The bills payables were secured by the Group's bank deposits amounting to HK$5,675,000 (2008: HK$3,946,000).

16. Amount Due from (to) a Minority Shareholder, a Shareholder and Directors

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

17. Pledge of Assets

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

	2009 HK$'000	2008 HK$'000
Property, plant and equipment	**13,062**	25,538
Prepaid lease payments	**6,263**	15,972
Bank deposits	**5,675**	3,946
	25,000	45,456

MANAGEMENT DISCUSSION AND ANALYSIS

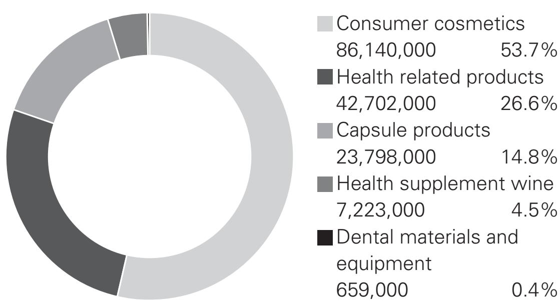
(A) Business Review

Revenue

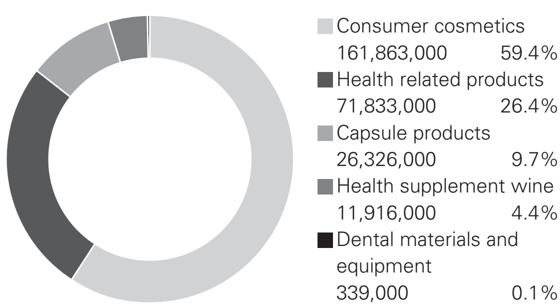
Sales for the year ended 30 September 2009 was approximately HK$160,522,000, while that for the year ended 30 September 2008 was approximately HK$272,277,000, representing a decrease of approximately HK$111,755,000 or approximately 41.0%. The sharp cut of revenue was that the Group continuously executed the strategy of streamlining low efficiency sales network and shift of business model and people are more cautious in consumption under the global financial crisis.

The Group's business breakdown is as follows:

Sales and Percentage to Total Sales by Business Segment, 2009 (in HK$)



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



1. Sales of consumer cosmetics decreased to approximately HK$86,140,000, representing a decrease of approximately 46.8%, whose percentage to total sales is 53.7%.

2. Sales of health related products decreased to approximately HK$42,702,000, representing a decrease of approximately 40.6%, whose percentage to total sales is 26.6%.

3. Sales of capsule products decreased to approximately HK$23,798,000, representing a decrease of approximately 9.6%, whose percentage to total sales is 14.8%.

4. Sales of health supplement wine decreased to approximately HK$7,223,000, representing a decrease of approximately 39.4%, whose percentage to total sales is 4.5%.

5. Dental materials and equipment business is still at early stage and recorded sales of approximately HK$659,000, whose percentage to total sales is 0.4%.

Gross profit

Gross profit for the year ended 30 September 2009 was approximately HK$88,881,000, representing a decrease of approximately HK$71,671,000, when compared with the gross profit of approximately HK$160,552,000 for last year. Gross margin for the year ended 30 September 2009 was approximately 55.4%, a decrease of approximately 3.6 percentage points when compared with approximately 59.0% for last year. The decrease in gross margin was mainly due to the increased prices of raw materials and higher labor costs.

Administrative expenses

Administrative expenses for the year ended 30 September 2009 amounted to approximately HK$29,886,000, representing a decrease of approximately HK$2,306,000, or approximately 7.2%, when compared with approximately HK$32,192,000 for last year. The decrease in administrative expenses was mainly due to that the Group continuously executed the strategy of streamlining staff and cost saving.

Selling and distribution expenses

Selling and distribution expenses for the year ended 30 September 2009 amounted to approximately HK$98,170,000, representing a decrease of approximately HK$63,545,000 or a decline of approximately 39.3%, when compared with approximately HK$161,715,000 for last year. The Group streamlined low efficiency sales network and executed shift of business model which saved much selling expenses, especially in labor cost and supermarket expenses.

Impairment loss of goodwill

During the year ended 30 September 2009, the Group recognised an impairment loss of approximately HK$5,525,000 in relation to goodwill arising on acquisition of Jiangsu Longlife Biochemistry Company Limited ("Jiangsu Longlife") as Jiangsu Longlife has continually suffered from operating losses and the directors of the Company do not expect it to be able to generate positive cash flow from operation in the foreseeable future.

Direct loss of shift of business model

During the year ended 30 September 2009, the Group shifted its business model from direct sale to distributorship and agency based. During the shift of business model, the Group disposed goods with different qualities at amount of HK$6,739,000 comparing with the cost at amount of HK$36,441,000, in which the Group suffered loss of HK$29,702,000 together with HK$5,328,000 of compensation for laid-off personnel. The Group recorded direct loss of HK$35,030,000 from shift of business model, but the Group improved its liquidity and eliminated goods lost and labor risk.

Loss

Loss for the year ended 30 September 2009 was HK$84,417,000, in which loss from operation was HK$43,862,000, representing an increase of approximately HK$6,437,000, or a growth of approximately 17.2%, when compared with approximately HK$37,425,000 for last year. In traditional consumer business, people are more cautious in consumption under the global financial crisis. Streamlining low efficiency sales network and employees affected the Group's revenue and selling expenses. The shift of sales model also caused the decline of revenue, disposal of goods and expenses, which intensified the Group's loss for the year. Besides indirect loss, the shift of business model caused direct loss of HK$35,030,000. Impairment of goodwill also caused loss of HK$5,525,000. Dental business has not achieved remarkable result which also intensified the Group's loss.

Business Overview

Retailers such as supermarkets and stores have developed excessively, and usually there are dozens of supermarkets and stores competing with each other intensively within a distance of one kilometer, which result in price wars and increase in charges by suppliers. As the consumption intention of consumers abates significantly under the background of global financial tsunami, the competition between retailers and the competition between suppliers have been intensified. As a supplier, the Group is in a weak position in the industry chain of traditional consumer goods, and faces the conditions of decrease in price and increase in charge. During past years, the Group has adopted a direct sale model which requires direct distribution of goods and dispatch of personnel to supermarkets. The Directors consider that, the strategy which requires direct and indirect employment of nearly ten thousand of promotional staff and distribution substantial goods to supermarkets, would result in a lot of inventories and account receivables being occupied, huge labor risks being accumulated, selling expenses becoming higher, and liquidity becoming extremely low. The weak position in the industry chain and the direct operating model are the principal reasons for consecutive losses of the Group. During the period under review, the Group continued streamlining the inefficient sales network, trying to convert its business model in minor markets and introducing such conversion in major markets such as Jiangsu Province and Zhejiang Province, actively developing professional distributors and dealers, timely disposing inventory, improving liquidity, and also reducing the numbers of direct and indirect sales persons to minimize labor cost and risks. After our great efforts, the Group has basically completed the conversion of business model in all areas except for Shanghai market, successfully converted the direct operating business model to the model of distribution and wholesale, and eliminated the operating risks and labor risks accumulated during the past years.

After solving labor problems in consumer business, the Group moved forward on new dental material project and obtained preliminary capability of research and development and sale marketing for orthodontic material. The global financial crisis has increased the difficulties for the Group to restructure its businesses and slowed down the pace of dental business development. Although the Group still suffered a substantial loss, the Directors believe the conversion of business model has laid a solid foundation to the recovery of profitability.

In the dental business, the Group recouped its total investment in Wuxi Yongle Medical Devices Co., Ltd. by selling of controlling shares and obtained valuable insights in dental distribution business and acquisition.

(B) Future Outlook

For the year of 2010, the Group will continue to deepen internal management reform, enhance efficiency and control expense. In the business of traditional consumer goods, the Group will operate effectively in "the model of distribution and proxy", adopt the operation concept of "light asset, focus on operation and full services", and also adopt various measures such as new products, continuing to introduce professional dealers and agents, in order to increase turnover and eventually regain its profitability.

In the emerging dental business, the Group will, through international cooperation, commit to establishing sales network for dental products and promoting the development of self-innovated new projects.

(C) Financial Review

Inventories

The inventories were approximately HK$35,568,000 as at 30 September 2009, a decrease of approximately HK$53,476,000, or a decline of approximately 60.1%, as compared to the inventory of approximately HK$89,044,000 for the corresponding period in 2008. The decrease of inventories was due to the Group changed its sales model in which there would be lots of inventories, and the Group disposed lots of goods near shelf life at lower price.

Liquidity and financial resources

The Group adopts a prudent policy for its financial resources management. The Group had cash and bank balances (excluding pledged bank deposits) of approximately HK$2,128,000 and approximately HK$11,751,000 respectively as at 30 September 2009 and 2008.

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30 September 2009, the Group had bank borrowings of approximately HK$23,267,000 (2008: approximately HK$37,230,000). The Group also had unsecured other borrowings of approximately HK$110,000 (2008: approximately HK$292,000), 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 17 to this announcement.

The gearing ratio (defined as total borrowings to total assets) of the Group as at 30 September 2009 and 2008 were approximately 20.2% and approximately 18.0% respectively. There is no material change during the year.

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 2009 except for the appreciation of RMB during the year.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2009 (2008: Nil).

Capital Commitment

Capital expenditure included those contracted for but not provided in the consolidated financial statements and the respective capital commitments as at 30 September 2009 amounted to approximately HK$5,508,000 (2008: HK$6,813,000).

(D) Employees' Remuneration

As at 30 September 2009, the Group, directly and indirectly, had 1,268 employees (2008: 5,721). Total staff costs for the year ended 30 September 2009 was approximately HK$66,936,000 (2008: approximately HK$102,736,000). The decrease of 34.8% in staff costs of the Group was mainly due to streamlining of marketing staff, management staff and manufacturing staff.

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 Company 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. 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.

(E) Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

During the year ended 30 September 2009, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

(F) 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

A. Corporate Governance Practices

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 2009, 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 provisions 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.

B. 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 2009. 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 2009.

C. 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.

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 Board considered the effectiveness of the Group's corporate governance structure, therefore, it appointed Mr. Yang Shun Feng, who replaced Mr. Zheng Lixin, to be the chief executive officer on 1 October 2009.

D. 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.

E. Audit Committee and Summary of Independent Auditor's Report

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. The Audit Committee currently comprises three independent non-executive Directors, Mr. Yu Jie, Mr. Chong Cha Hwa and Dr. Yu Hong. For the year ended 30 September 2009, the Audit Committee met with the external auditors once.

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

The Audit Committee has reviewed the audited financial results of the Group for the year ended 30 September 2009.

In the independent auditors' report, the auditor has included the following paragraph in the auditor's opinion to draw the shareholders' attention:

"Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements, which indicates that as of 30 September 2009 the Group had net current liabilities of approximately HK$10,239,000 and incurred loss of approximately HK$84,417,000 for the year then ended. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

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

Hong Kong, 21 December 2009

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. Chen Zhongwei (陳中瑋)

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.