



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

THIRD QUARTERLY REPORT 2011

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

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This report, for which the directors (the “Directors”) of Longlife Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

The board (the “Board”) of directors (the “Directors”) of Longlife Group Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 June 2011 together with the comparative unaudited figures for the corresponding period in 2010 prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The unaudited consolidated results have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and nine months ended 30 June 2011

	Notes	Three months ended 30 June		Nine months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) (Restated) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) (Restated) HK\$'000
Turnover	2	12,865	16,405	57,567	66,953
Cost of sales		(8,908)	(11,736)	(29,444)	(35,373)
Gross profit		3,957	4,669	28,123	31,580
Other income		278	13	940	144
Administrative expenses		(4,318)	(3,116)	(13,073)	(10,442)
Selling and distribution expenses		(4,212)	(2,317)	(16,882)	(23,362)
Other expenses		(168)	(92)	(456)	(351)
Finance costs		(765)	(364)	(3,394)	(1,616)
Taxation	3	(18)	53	(1,254)	(54)
Loss for the period		(5,246)	(1,154)	(5,996)	(4,101)
Attributable to:					
Equity holders of the Company		(5,396)	(1,040)	(6,045)	(4,108)
Non-controlling interests		150	(114)	49	7
		(5,246)	(1,154)	(5,996)	(4,101)
Loss per share	4				
– Basic		(0.56) cent	(0.17) cent	(0.63) cent	(0.67) cent
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Nine months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss for the period	(5,246)	(1,154)	(5,996)	(4,101)
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	1,455	201	2,436	271
Total comprehensive income for the period	(3,791)	(953)	(3,560)	(3,830)
Attributable to:				
Equity holders of the Company	(3,968)	(888)	(3,759)	(3,899)
Non-controlling interests	177	(65)	199	69
	(3,791)	(953)	(3,560)	(3,830)

Notes:

1. Basis of Preparation and principal accounting policies

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

The principal accounting policies used in the unaudited consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 September 2010. The financial statements are unaudited but have been reviewed by the Audit Committee.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations of Hong Kong Financial Reporting Standards and Interpretations (collectively, "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 October 2010.

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 32 (Amendment)	Classification of right issues
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 1 (Amendment)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HK (IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments
HK INT 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause

The adoption of the above new HKFRSs has no significant impact on the Group's results and financial position.

Up to the date of issue of the financial reports, the HKICPA has issued a number of new and revised standards, amendments and interpretations which are not yet effective for the current period. These include the following which may be relevant to the Group:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKFRS 7 (Amendments)	Disclosures – transfers of financial assets ²
HKFRS 9	Financial instruments ⁵
HKFRS 10	Consolidated Financial Statements ⁵
HKFRS 11	Joint Arrangements ⁵
HKFRS 12	Disclosures of Interests in Other Entities ⁵
HKFRS 13	Fair value measurement ⁵
HKAS 1 (Amendments)	Presentation of items of Other Comprehensive Income ⁴
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets ³
HKAS 19 (Revised in 2011)	Employee Benefits ⁵
HKAS 24 (Revised)	Related party disclosures ¹
HKAS 27 (Revised)	Separate Financial Statement ⁵
HKAS 28 (Revised)	Investments in Associates and Joint Ventures ⁵
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a minimum funding requirement ¹

¹ Effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 July 2011

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 July 2012

⁵ Effective for annual periods beginning on or after 1 January 2013

2. Turnover

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

	Three months ended 30 June		Nine months ended 30 June	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) (Restated) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) (Restated) <i>HK\$'000</i>
Manufacturing and sales of consumer cosmetics	7,973	6,793	26,461	25,729
Manufacturing and sales of health related products	2,351	1,854	14,405	16,800
Manufacturing and sales of capsules products	4,905	7,532	15,071	22,648
Manufacturing and sales of health supplement wine	376	174	896	1,690
Manufacturing and sales of dental materials and equipment	273	122	623	335
Trading of financial assets at fair value through profit or loss	(3,013)	(70)	111	(249)
	12,865	16,405	57,567	66,953

3. Taxation

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for the three months and nine months ended 30 June 2011 (three months and nine months ended 30 June 2010: Nil). Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

The potential deferred tax asset has not been recognized in the financial statements as the probability that future taxable profit will be available against which the temporary differences can be utilized in the foreseeable future is uncertain.

4. Loss per share

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

	Three months ended 30 June		Nine months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss				
Loss for the period attributable to equity holders of the Company	(5,396)	(1,040)	(6,045)	(4,108)

	Three months ended 30 June		Nine months ended 30 June	
	2011 (Unaudited) '000	2010 (Unaudited) '000	2011 (Unaudited) '000	2010 (Unaudited) '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	960,080	616,473	960,080	616,473

Diluted loss per share

No diluted loss per share has been presented for the three months and nine months ended 30 June 2011 and 2010 as there was no dilutive potential ordinary share for these periods.

5. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30 June 2011 (nine months ended 30 June 2010: Nil)

6. Movement of reserves

	Share premium HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000 (Note 1)	Statutory surplus reserve fund HK\$'000 (Note 2)	Statutory enterprise expansion fund HK\$'000 (Note 3)	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 October 2010 (Audited)	79,168	8,574	22,443	15,479	3,098	28,376	(111,153)	45,985
Loss for the period	-	-	-	-	-	-	(6,045)	(6,045)
Other comprehensive income:								
Exchange differences arising on translation of foreign operations	-	-	-	-	-	2,286	-	2,286
Total comprehensive income for the period	-	-	-	-	-	2,286	(6,045)	(3,759)
At 30 June 2011 (Unaudited)	79,168	8,574	22,443	15,479	3,098	30,662	(117,198)	42,226
At 1 October 2009 (Audited)	15,479	-	22,443	15,479	3,098	27,813	(94,688)	(10,376)
Loss for the period	-	-	-	-	-	-	(4,108)	(4,108)
Other comprehensive income:								
Exchange differences arising on translation of foreign operations	-	-	-	-	-	209	-	209
Total comprehensive income for the period	-	-	-	-	-	209	(4,108)	(3,899)
Placing of new shares	34,028	-	-	-	-	-	-	34,028
Transacting costs attributable to placing of new shares	(1,658)	-	-	-	-	-	-	(1,658)
At 30 June 2010 (Unaudited)	47,849	-	22,443	15,479	3,098	28,022	(98,796)	18,095

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 subsidiaries in the PRC 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.

7. Contingent liabilities

The Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 30 June 2011, the maximum rental liabilities of the Company due to default of rental payment of Capital VC Limited would be approximately HK\$2,812,000 (30 September 2010: approximately HK\$4,222,000).

8. Discloseable transaction

On 3 March 2011, the Company entered into an agreement to dispose of the entire equity interest in Jiangsu Longlife Biochemistry Company Limited at a consideration of RMB7,200,000 (approximately HK\$8,496,000). Details are referred to the Company's announcement dated 4 March 2011. As of the date of approval of this quarterly report, the aforesaid transaction is still in progress and yet to complete.

9. Comparative figures

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

SHARE OPTION SCHEME

During the nine months ended 30 June 2011, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 26 May 2004.

BUSINESS REVIEW AND OUTLOOK

Business Review

During the period under review, the Group's conversion on its sales model of the PRC operations to sales and dealership structure continued, and decrease in sales was resulted. As resulted from the effort made by the management, various cost control measures were adopted to offset the impact from the rises of cost of raw materials and manpower under the influence of inflation in domestic economy. Detailed financial analysis is as follows:

Turnover

For the nine months ended 30 June 2011 ("Period 2011"), the Group recorded an unaudited turnover of approximately HK\$57,567,000, and approximately HK\$66,953,000 for the corresponding period ended 30 June 2010 ("Period 2010"). This represented decrease of approximately HK\$9,386,000, or approximately 14.02%. The Group's turnover substantially represented the Group's sales in the PRC (see note 2 to the Condensed Consolidated Income Statement for details). As mentioned above, the decrease in the Group's sales was mainly attributable to the conversion on the Group's sales model.

Gross Profit

For Period 2011, the Group recorded gross profit of approximately HK\$28,123,000, whereas gross profit of approximately HK\$31,580,000 for Period 2010. This represented decrease of approximately HK\$3,457,000, or approximately 10.95%. The Group's overall gross profit ratio slightly increased from 47.17% for Period 2010 to 48.85% for Period 2011. Improvement in the gross profit ratio was attributable to the management effort in implementing various cost control measures.

Results for the Period

Although the management has already taken various cost control measures and increase in the gross profit was recorded, decrease in sales volume led to decrease in revenue generated by the Group for Period 2011. As a result, the Group's loss increased from approximately HK\$4,101,000 for Period 2010 to HK\$5,996,000 for Period 2011.

FUTURE OUTLOOK

The top priority of the Group is to continue depending the business model of "emphasis loss on assets but more on operations and full services". The Group will further expand our distribution channels and explore for new distributors and agents. This will inevitably result in a certain increase of selling and distribution expenses, however, it is expected that this could achieve a significant growth of revenue in the future. The Group will continue to dispose of inefficient non-core assets, which may result in a certain degree of accounting losses in the short term. The Directors believe that these initiatives will help achieve the targets of loss reduction or even turnaround and will also contribute to rebuild our profitability and enhance our shareholders' value in the long term.

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

As at 30 June 2011, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Future Ordinance (the "SFO")) which require notification to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors or chief executive is taken or deemed to have under such provision of the SFO) or which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange, were as follows:

Long position in shares of the Company

Name	Capacity	Number of ordinary shares	% of shares in issue
Cheung Hung (Director)	Beneficial owner and family interest	8,500,000	0.89%
Zhang Sanlin (Director)	Beneficial owner	9,850,000	1.03%
Yang Shunfeng (CEO)	Beneficial owner	250,000	0.03%

Long position in underlying shares of the Company

Name of director	Date of grant	Exercisable period	Subscription price per share	Aggregate long positions in underlying shares of the Company	Approximate percentage interest in the Company's issued share capital
Cheung Hung	9 April 2010	9 April 2010 to 8 April 2020	HK\$0.355	5,000,000	0.52%
Wang Zhixin	9 April 2010	9 April 2010 to 8 April 2020	HK\$0.355	5,000,000	0.52%

Save as disclosed above, none of the Directors nor the chief executive of the Company had, as at 30 June 2011, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which require notification to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director is taken or deemed to have under such provision of the SFO) or which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which are required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, according to the register kept by the Company pursuant to Section 336 of SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, save as disclosed in the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" in this report, the following persons had an interest or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 5% or more of the voting power at general meetings of the Company:

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Capital VC Limited (Note 1)	Beneficial owner/ through controlled corporation	213,680,000	500,000	214,180,000	22.30%
Yau Chung Hong (Note 2)	Beneficial owner/ through controlled corporation	70,090,000	–	70,090,000	7.30%

Notes:

1. 148,290,000 of these shares were held by CNI Capital Limited, a company wholly-owned by Capital VC Limited.
2. 1,525,000 of these shares were held by Sellwell Enterprises Limited, a company which was 100% controlled by Yau Chung Hong.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register required to be kept by the Company under section 336 of the SFO as at 30 June 2011.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" above, at no time during the three months ended 30 June 2011 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Mr. Chong Cha Hwa, Ms. Chan Wai Yan and Mr. Sham Chi Keung William.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including review of the unaudited condensed consolidated results of the Company for the three months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

By Order of the Board
Longlife Group Holdings Limited
Cheung Hung
Chairman

Hong Kong, 12 August 2011

As at the date of this report, the executive directors of the Company are Mr. CHEUNG Hung (Chairman), Mr. ZHANG Sanlin, Mr. CHEN Zhongwei, Mr. TIAN Zhenyong and Mr. WANG Zhixin; and the independent non-executive directors of the Company are Mr. CHONG Cha Hwa, Ms. CHAN Wai Yan and Mr. SHAM Chi Keung William.