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

# 2011/12

## THIRD QUARTERLY REPORT

## 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.**

*Hong Kong Exchanges and Clearing Limited and the Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 2012 together with the comparative unaudited figures for the corresponding period in 2011 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 STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

*For the three months and nine months ended 30 June 2012*

| | | Three months ended 30 June | | Nine months ended 30 June | |
|---|---|---|---|---|---|
| | Notes | **2012 (Unaudited) *HK$'000*** | 2011 (Unaudited) *HK$'000* | **2012 (Unaudited) *HK$'000*** | 2011 (Unaudited) *HK$'000* |
| Turnover | *2* | **3,549** | 12,865 | **63,256** | 57,567 |
| Cost of sales | | **(12,050)** | (8,908) | **(45,933)** | (29,444) |
| Gross profit/(loss) | | **(8,501)** | 3,957 | **17,323** | 28,123 |
| Other revenue | *3* | **(16,416)** | – | **(16,416)** | – |
| Other income | | **220** | 278 | **556** | 940 |
| Administrative expenses | | **(3,823)** | (4,318) | **(14,772)** | (13,073) |
| Selling and distribution expenses | | **(6,185)** | (4,212) | **(19,635)** | (16,882) |
| Other expenses | | **(75)** | (168) | **(249)** | (456) |
| Finance costs | | **(587)** | (765) | **(3,100)** | (3,394) |
| Loss before tax | | **(35,367)** | (5,228) | **(36,293)** | (4,742) |
| Taxation | *4* | **(28)** | (18) | **(91)** | (1,254) |
| Loss for the period | | **(35,395)** | (5,246) | **(36,384)** | (5,996) |
| Other comprehensive income: | | | | | |
| Exchange difference arising on translation of foreign operations | | **88** | 1,455 | **303** | 2,436 |
| Total comprehensive income for the period | | **(35,307)** | (3,791) | **(36,081)** | (3,560) |
| Loss attributable to: | | | | | |
| Equity holders of the Company | | **(35,395)** | (5,396) | **(35,774)** | (6,045) |
| Non-controlling interests | | **–** | 150 | **(610)** | 49 |
| | | **(35,395)** | (5,246) | **(36,384)** | (5,996) |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) ("Continued")**

*For the three months and nine months ended 30 June 2012*

| | | Three months ended 30 June | | Nine months ended 30 June | |
|---|---|---|---|---|---|
| | | **2012 (Unaudited) *HK$'000*** | 2011 (Unaudited) *HK$'000* | **2012 (Unaudited) *HK$'000*** | 2011 (Unaudited) *HK$'000* |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | **(35,307)** | (3,968) | **(35,485)** | (3,759) |
| Non-controlling interests | | **–** | 177 | **(596)** | 199 |
| | | **(35,307)** | (3,791) | **(36,081)** | (3,560) |
| Dividend | *6* | **–** | – | **–** | – |
| Loss per share | *5* | | | | |
| – Basic | | **(3.69) cents** | (0.56) cent | **(3.73) cents** | (0.63) cent |
| – Diluted | | **N/A** | N/A | **N/A** | N/A |

*Notes:*

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

*Basis of preparation*

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 2011. The financial statements are unaudited but have been reviewed by the Audit Committee.

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

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

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

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

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

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

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

*Classification and Measurement*

Financial assets are required to be classified into one of the following measurement categories:

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

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

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

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

*Financial Liabilities and Derecognition*

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

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

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

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

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

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

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

**2. Turnover**

Turnover represents the amounts received and receivable from sales of goods less sales tax and discounts, if any, 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** | |
|---|---|---|---|---|
| | **2012 (Unaudited) *HK$'000*** | 2011 (Unaudited) *HK$'000* | **2012 (Unaudited) *HK$'000*** | 2011 (Unaudited) *HK$'000* |
| Manufacturing and sales of consumer cosmetics | **9,465** | 7,973 | **30,252** | 26,461 |
| Manufacturing and sales of health related products | **2,283** | 2,351 | **14,514** | 14,405 |
| Manufacturing and sales of capsules products | **–** | 4,905 | **8,818** | 15,071 |
| Manufacturing and sales of health supplement wine | **185** | 376 | **1,090** | 896 |
| Manufacturing and sales of dental materials and equipment | **146** | 273 | **1,887** | 623 |
| Trading of financial assets at fair value through profit or loss *(note 3)* | **(8,530)** | (3,013) | **6,695** | 111 |
| | **3,549** | 12,865 | **63,256** | 57,567 |

**3. Other revenue**

In the middle of May 2012, the Board has reviewed the Group's overall financial resources and operating strategies, and considered that the Group would focus on and allocate more resources to its consumer products businesses. Accordingly, the investments in financial assets were no longer considered as a principal business of the Group, and the net result of trading of financial assets at fair value through profit or loss was classified as other revenue, instead of turnover, from 16 May 2012 onwards.

**4. 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 2012 (three months and nine months ended 30 June 2011: 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.

**5. 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** | |
|---|---|---|---|---|
| | **2012 (Unaudited) *HK$'000*** | 2011 (Unaudited) *HK$'000* | **2012 (Unaudited) *HK$'000*** | 2011 (Unaudited) *HK$'000* |
| **Loss** | | | | |
| Loss for the period attributable to equity holders of the Company | **(35,395)** | (5,396) | **(35,774)** | (6,045) |

| | Three months ended 30 June | | Nine months ended 30 June | |
|---|---|---|---|---|
| | **2012 (Unaudited) *'000*** | 2011 (Unaudited) *'000* | **2012 (Unaudited) *'000*** | 2011 (Unaudited) *'000* |
| **Number of shares** | | | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **960,080** | 960,080 | **960,080** | 960,080 |

*Diluted loss per share*

No diluted loss per share has been presented for the three months and nine months ended 30 June 2012 and 2011 as there was no dilutive potential ordinary share for these periods.

**6. Dividend**

The Board does not recommend the payment of any dividend for the nine months ended 30 June 2012 (nine months ended 30 June 2011: Nil)

**7. 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 2011 (Audited) | 79,168 | 8,574 | 22,443 | 15,479 | 3,098 | 25,262 | (154,708) | (684) |
| Loss for the period | – | – | – | – | – | – | (35,774) | (35,774) |
| Other comprehensive income: | | | | | | | | |
| Exchange differences arising on translation of foreign operations | – | – | – | – | – | 289 | – | 289 |
| Total comprehensive income for the period | – | – | – | – | – | 289 | (35,774) | (35,485) |
| Share option scheme: | | | | | | | | |
| – value of service | – | 2,838 | – | – | – | – | – | 2,838 |
| At 30 June 2012 (Unaudited) | 79,168 | 11,412 | 22,443 | 15,479 | 3,098 | 25,551 | (190,482) | (33,331) |
| 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 |

*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.

**8. 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 2012, the maximum rental liabilities of the Company due to default of rental payment of Capital VC Limited would be approximately HK$1,406,000 (30 September 2011: approximately HK$2,460,000).

**9. Pending litigation**

In April 2012, the Food and Drug Administration of Zhejiang Province issued a notice of hearing to Zhejiang Xinda Zhongshan Capsules Company Limited ("Zhongshan Capsules"), an indirectly owned subsidiary of the Company, accusing that Zhongshan Capsules had committed serious misconduct and hearing would be held to decide whether the pharmaceutical production licence of Zhongshan Capsules (the "Licence") would be revoked.

The Company's PRC legal adviser holds the view that the possibility of retaining the Licence through the hearing is relatively low unless Zhongshan Capsules is able to prove that its misconduct was minor. As investigation against Zhangshan Capsules has not been finalized, the relevant legal liabilities, penalty, risk, responsibility and consequence of the aforesaid incident on the Company are subject to further PRC legal opinions and investigations.

## SHARE OPTION SCHEME

During the nine months ended 30 June 2012, 70,000,000 share options with exercise price of HK$0.20 each were granted to employees and service providers but 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 turnover of the Group's consumer products business remained steady, as compared to the corresponding period of last year, which is attributable to mature transformation of the Group's sales model to sales and dealership structure.

As detailed in note 3 to the condensed consolidated statement of comprehensive income, the Group has focused on the consumer products business in the PRC and investments in financial assets were no longer considered as a principal business of the Group from 16 May 2012. The overall performance of the Group's business of financial assets investment in the third quarter of the year ending 30 September 2012 was unsatisfactory, which was due to the drastic change in the atmosphere of Hong Kong stock market, especially in the sector of non-state owned enterprises in the PRC.

### Turnover

For the nine months ended 30 June 2012 ("Period 2012"), the Group recorded an unaudited turnover of approximately HK$63,256,000, and approximately HK$57,567,000 for the corresponding period ended 30 June 2011 ("Period 2011"). This represented an increase of approximately HK$5,689,000, or approximately 9.9%. The Group's turnover substantially represented the Group's sales in the PRC (see note 2 to the condensed consolidated statement of comprehensive income for details). The increase in the Group's sales was mainly attributable to the net gain on trading of financial assets of HK$6,695,000 and the increase in the sales of consumer cosmetics during Period 2012, as compand to those recognised in Period 2011. The result of trading of financial assets changed to be disclosed as other revenue from 16 May 2012 onward (see note 3 to the condensed consolidated statement of comprehensive income for details).

### Gross Profit/(Loss)

For Period 2012, the Group recorded gross profit of approximately HK$17,323,000, whereas gross profit of approximately HK$28,123,000 for Period 2011. This represented a decrease of approximately HK$10,800,000, or approximately 38.4%. The Group's overall gross profit ratio decreased from 48.9% for Period 2011 to 27.4% for Period 2012. Substantial decrease in the gross profit ratio was principally attributable to the high inflationary pressure in the PRC, which led the significant increase in the production costs for the Group's consumer products business, and resulted in the decrease in the Group's overall gross profit ratio.

### Results for the Period

Although the management has already taken various cost control measures, unsatisfactory financial assets investments and the substantial increase in the production costs for the Group's consumer products business led to the increases in the Group's net loss from approximately HK$5,996,000 for Period 2011 to HK$36,384,000 for Period 2012.

## FUTURE OUTLOOK

Continuing to deepen the implementation of the business model of "asset minimization, focus on operation and full services" is still the primary objective of the Group regarding its consumer products business. The Group will focus on its consumer products business and allocate more resources to develop the business network of the Group, and research and development of its products.

The Directors believe the above measures will contribute to realize the Group's objective to maintain its profitability and enhance shareholders' value for the long run.

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

As at 30 June 2012, 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% |
| See Ching Chuen (Director) | Beneficial owner | 58,550,000 | 6.10% |
| 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 | Approximate percentage in the 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 2012, 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 2012, 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)* | Beneficial owner/ through controlled corporation | 83,910,000 | 500,000 | 84,410,000 | 8.79% |

*Note:* 63,520,000 of these shares were held by CNI Capital Limited, a company wholly-owned by Capital VC Limited.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register required to be kept by the Company under section 336 of the SFO as at 30 June 2012.

## 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 2012 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, Mr. Sham Chi Keung William and Mr. Yeung Chi Tit.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including review of the unaudited condensed consolidated results of the Company for the three months ended 30 June 2012.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 30 June 2012, 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, 14 August 2012

*As at the date of this report, the executive directors of the Company are Mr. CHEUNG Hung (Chairman), Mr. WANG Zhixin and Mr. SEE Ching Chuen; and the independent non-executive directors of the Company are Mr. CHONG Cha Hwa, Mr. SHAM Chi Keung William and Mr. YEUNG Chi Tit.*