



FIRST QUARTERLY REPORT

2012/13

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



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 Stock 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 Stock 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 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 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.

UNAUDITED THREE-MONTH 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 ended 31 December 2012 together with the comparative unaudited figures for the corresponding period in 2011 prepared in accordance with 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 ENDED 31 DECEMBER 2012

	Notes	2012 HK\$'000	2011 HK\$'000 (Restated)
Continuing operations			
Turnover	2	67,969	35,703
Cost of sales		(64,396)	(12,027)
Gross profit		3,573	23,676
Other income		2,178	143
Administrative expenses		(3,433)	(3,079)
Selling and distribution expenses		(7,003)	(4,522)
Other expenses		(4)	(4)
Finance costs		(792)	(1,128)
(Loss)/profit before tax		(5,481)	15,086
Income tax expense	3	(11)	(45)
(Loss)/profit from continuing operations		(5,492)	15,041
Discontinued operation	7		
Loss from discontinued operation, net of tax		–	(1,139)
(Loss)/profit for the period		(5,492)	13,902
Other comprehensive income			
Exchange differences on translation of foreign operations		(38)	167
Total comprehensive income for the period		(5,530)	14,069

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000 (Restated)
(Loss)/profit attributable to:			
Equity holders of the Company		(5,492)	14,344
Non-controlling interests		–	(442)
		(5,492)	13,902
Total comprehensive loss attributable to:			
Equity holders of the Company		(5,530)	14,497
Non-controlling interests		–	(428)
		(5,530)	14,069
Dividends	5	–	–
(Loss)/profit per share (HK cents)	4		
– basic		(0.48)	1.49
– diluted		N/A	N/A
(Loss)/profit per share – continuing operations (HK cents)	4		
– basic		(0.48)	1.57
– diluted		N/A	N/A

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 results are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 September 2012. The financial statements are unaudited but have been reviewed by the Audit Committee.

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

In the financial period, the Group has adopted the following new and revised HKFRSs issued by the HKICPA, which are or have become effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Standards – Government Loans ¹
HKFRS 7 (Amendments)	Disclosures Offsetting Financial Assets and Financial Liabilities ¹ Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (Revised)	Employee benefits ¹
HKAS 27 (Revised)	Separate Financial Statements ¹
HKAS 28 (Revised)	Investments in Associates and Joint Ventures ¹
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

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

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

The Directors anticipate that the adoption of these new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

2. Turnover

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

	Three months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Continuing operations		
Manufacturing and sales of consumer cosmetics	11,843	10,782
Manufacturing and sales of health related products	5,573	3,510
Manufacturing and sales of health supplement wine	247	513
Manufacturing and sales of dental materials and equipment	441	707
Trading of financial assets at fair value through profit or loss	–	20,191
Trading of synthetic rubber	49,865	–
	67,969	35,703
Discontinued operation		
Manufacturing and sales of capsules products	–	5,423

3. Income tax expense

No provision for Hong Kong Profits Tax has been made in the consolidated income statement as the Company and its subsidiaries have no assessable profits arising in Hong Kong for the three months ended 31 December 2012 (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 People's Republic of China (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)/profit per share

Basic (loss)/profit per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

For continuing and discontinued operations

	Three months ended 31 December	
	2012	2011
(Loss)/profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	(5,492)	14,344
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,152,080	960,080
Basic (loss)/profit per share (<i>HK cents</i>)	(0.48)	1.49

For continuing operations

	2012	2011 (Restated)
(Loss)/profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	(5,492)	14,344
Add: Loss attributable to the equity holders of the Company from discontinued operations (<i>HK\$'000</i>)	–	697
(Loss)/profit attributable to the equity holders of the Company from continuing operations (<i>HK\$'000</i>)	(5,492)	15,041
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,152,080	960,080
Basic (loss)/profit per share (<i>HK cents</i>)	(0.48)	1.57

Diluted (loss)/profit per share

No diluted (loss)/profit per share has been presented for the three months ended 31 December 2012 and 2011 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 three months ended 31 December 2012 (2011: Nil).

6. Movements of reserves

	Share premium <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i> <i>(Note 1)</i>	Statutory surplus reserve fund <i>HK\$'000</i> <i>(Note 2)</i>	Statutory enterprise expansion fund <i>HK\$'000</i> <i>(Note 3)</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2011 (Audited)	79,168	8,574	22,443	15,479	3,098	25,262	(154,708)	(684)
Profit for the period	-	-	-	-	-	-	14,344	14,344
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	-	-	153	-	153
Total comprehensive income for the period	-	-	-	-	-	153	14,344	14,497
At 31 December 2011 (Unaudited)	79,168	8,574	22,443	15,479	3,098	25,415	(140,364)	13,813
At 1 October 2012 (Audited)	88,984	11,412	22,443	15,479	3,098	25,279	(175,406)	(8,711)
Profit for the period	-	-	-	-	-	-	(5,492)	(5,492)
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(38)	-	(38)
Total comprehensive income for the period	-	-	-	-	-	(38)	(5,492)	(5,530)
At 31 December 2012 (Unaudited)	88,984	11,412	22,443	15,479	3,098	25,241	(180,898)	(14,241)

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 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 the 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. Discontinued Operation

At the end of April 2012, the Company first became aware of an announcement issued by the State Food and Drug Administration ("SFDA"), accusing that Zhejiang Xinda Zhongshan Capsules Company Limited ("ZS Capsules"), an indirectly owned subsidiary of the Company, has committed serious misconduct. As a result, the SFDA has directed Zhejiang Food and Drug Administration to revoke the manufacturing and production licence of ZS Capsules in accordance with the statutory procedures, and relevant individuals are under criminal investigation by the relevant authorities.

Pursuant to a sale and purchase agreement dated 14 December 2012, the Group disposed of its 61.11% shares in ZS Capsules for an aggregate consideration of HK\$500,000. No gain or loss on disposal of its investment in ZS Capsules was recognised during the three months ended 31 December 2012.

The results of the discontinued operation included in the consolidated statement of comprehensive income are set out below:

	Three months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
		(Restated)
Loss for the period from discontinued operation		
Revenue	–	5,423
Expenses	–	(6,562)
Loss before tax	–	(1,139)
Income tax expense	–	–
Loss for the period from discontinued operation	–	(1,139)

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 31 December 2012, the maximum liabilities of rental and corresponding administrative charges of the Company due to default of payment of Capital VC Limited would be approximately HK\$703,000.

9. Comparative figures

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

SHARE OPTION SCHEME

During the three months ended 31 December 2012, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 26 May 2004.

BUSINESS REVIEW

In the three months ended 31 December 2012 (the “Current Period”), there were some changes in the mix of the Group’s major businesses. Trading of synthetic rubber has become a new business sector since the last quarter of fiscal year of 2011/12. From 16 May 2012 onwards, the result of investments in financial assets have been recorded as other revenue.

Revenue

The general performance of consumer goods business during the Current Period was satisfactory. As benefited from the matured transformation of consumer goods businesses into a wholesale and distribution model, the turnover generated in this sector increased from approximately HK\$15.5 million for the three months ended 31 December 2012 (the “Last Period”) to approximately HK\$18.1 million for the Current Period.

With respect to the new business launched in the last quarter of the fiscal year of 2011/12, sales of synthetic rubber of approximately HK\$49.9 million was generated during the Current Period.

Owing to unstable atmosphere covering the investment market, the Group decided to allocate more resources on the consumer goods businesses and develop other business potentials. As such, investments in financial assets have been recorded as other revenue from 16 May 2012 onwards. The overall performance of the Group’s financial assets investments for the Current Period was not as good as that for the Last Period. Net gain of only approximately HK\$2.0 million was recorded as other revenue in the Current Period, as compared to net gain of approximately HK\$20.2 million recorded under turnover in the corresponding period of last year.

Gross profit

Gross profit for the three months ended 31 December 2012 was approximately HK\$3.6 million, representing those for traditional consumer goods businesses of approximately HK\$3.3 million and synthetic rubber trading of approximately HK\$0.3 million.

In connection with the traditional consumer goods businesses, gross profit for the Current Period slightly decreased by approximately HK\$0.2 million, or approximately 5.7%, as compared with the gross profit of approximately HK\$3.5 million for the Last Period. During the first quarter of fiscal year of 2012/13, the Group adopted a strategy to launch price-cut programs and various promotion activities, in order to enlarge the market share. Accordingly, the gross margin decreased slightly while the sales amount of traditional consumer businesses increased in this quarter.

Gross profit of synthetic rubber trading business of HK\$0.3 million during the three months ended 31 December 2012 and that of financial assets investments amounting to approximately HK\$20.2 million during for the three months ended 31 December 2011 were recognised by the Group.

Administrative Expenses

For the three months ended 31 December 2012, administrative expenses was approximately HK\$3.4 million, an increase of approximately HK\$0.3 million and approximately 11.5% compared to approximately HK\$3.1 million over the corresponding period of last year. The increase in administrative expenses was principally due to enlargement of operation scale in the quarter.

Selling and Distribution Expenses

For the three months ended 31 December 2012, selling and distribution expenses was approximately HK\$7.0 million, an increase of approximately HK\$2.5 million and approximately 54.9% compared to HK\$4.5 million over the corresponding period of last year. The sharp increase in selling and distribution expenses was resulted from the Group's marketing strategies of launching of various promotion activities, in order to enlarge the market share, as mentioned above.

Discontinued operation

As the Group's investment in ZS Capsules has been classified as assets held for sale in last fiscal year as at 30 September 2012, the result (including revenue and expenses) generated by ZS Capsules for the Last Period was reclassified as net loss from discontinued operation, net of tax in this condensed consolidated statement of comprehensive income amounting to approximately HK\$1.1 million. As the manufacturing and production of capsule products of ZS Capsule have been ceased, no revenue and expense of ZS Capsule was recognised in the Current Period.

Result for the period

Loss for the three months ended 31 December 2012 of approximately HK\$5.5 million was recorded while net profit of HK\$13.9 million was recognised in the corresponding period. This is mainly attributable to the decrease in the gain on financial assets investments from approximately HK\$20.2 million for the Last Period to HK\$2.0 million for the Current Period.

FUTURE OUTLOOK

Looking forward, it is expected that the operating environment of the domestic consumer business will continue to be tough, due to the impetus of inflation and the pressure of wages increment in China. In order to tackle the anticipated challenges and stay competitive, the Group will allocate more resources in conquering the market share for generating revenue and continue its policy of implementation of cost control measures.

With respect to the new business, commodity trading is a broad category where the players range from individual ranchers hedging feed prices right on through to large multi-national trading houses. For several decades, oil and its associated products, including synthetic rubber, have been the dominant source of energy for the globe and foreseeably the situation will remain at least in the next few decades, especially China will constantly play the role of net importer of the energy goods supported by its huge market and economy growth. The Group is dedicating to step into the energy-related commodity trading to generate the new input of future development in long term aspects.

Along with the completion of the re-engineering of the business model of the Group's domestic consumer goods business and the launch of new commodity trading business, we have optimistic outlook for our operations, and believe that the substantial efforts which we have exerted will result in rising revenues and an enhancement of shareholders' value in the long run.

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

As at 31 December 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provision of the SFO) or which are required 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 Stock Exchange were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity	Number of ordinary shares	% to total issued share capital of the Company
Directors			
Cheung Hung	Beneficial owner and family interest	8,500,000	0.74%
See Ching Chuen (<i>Note</i>)	Beneficial owner and controlled corporation	58,550,000	5.08%
Chief executive			
Yang Shunfeng	Beneficial owner	250,000	0.02%

Note: 48,550,000 shares were held by CITIC Capital Group Limited, a company controlled by Mr. See Ching Chuen.

Long positions in underlying shares of the Company**Share options granted**

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	0.43%
Wang Zhixin	9 April 2010	9 April 2010 to 8 April 2020	HK\$0.355	5,000,000	0.43%

Save as disclosed above, none of the Directors nor the chief executives of the Company had, as at 31 December 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 Stock 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 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 Stock Exchange.

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

As at 31 December 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 person 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 positions in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of underlying shares held under equity		Total	% of shares in issue
		Number of ordinary shares	derivatives		
Capital VC Limited <i>(Note)</i>	Beneficial owner and controlled corporation	74,710,000	500,000	75,210,000	6.53%
Avant Capital Management (HK) Limited	Beneficial owner	60,220,000	–	60,220,000	5.23%

Note: 54,320,000 of these shares were held by CNI Capital Limited, a company wholly-owned by Capital VC Limited.

Save as disclosed above, as at 31 December 2012, there was no other person (other than the Directors or chief executive of the Company) who had any interest or short position in the Shares or underlying shares 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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 31 December 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 exiting shareholders.

AUDIT COMMITTEE

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 for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises of 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 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 31 December 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, 6 February 2013

Executive Directors as at the date of this report:

Mr. Cheung Hung (*Chairman*)

Mr. Wang Zhixin

Mr. See Ching Chuen

Independent Non-executive Directors as at the date of this report:

Mr. Chong Cha Hwa

Mr. Sham Chi Keung, William

Mr. Yeung Chi Tit