

THIRD 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



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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 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 NINE-MONTHS 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 the nine months ended 30 June 2013 together with the comparative unaudited figures for the corresponding period in 2012 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 audit committee of the Board.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and the nine months ended 30 June 2013

		Three months ended 30 June		Nine Months Ended 30 June	
	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
Continuing operations					
Turnover	3	19,441	12,079	59,306	47,743
Cost of sales		(11,350)	(12,050)	(38,916)	(37,956)
Gross profit		8,091	29	20,390	9,787
Other gains and (losses)		11,873	(24,801)	12,104	(9,425)
Selling and distribution expenses		(6,831)	(3,823)	(21,938)	(18,883)
Administrative expenses		(7,078)	(6,185)	(14,483)	(13,958)
Finance costs		(838)	(587)	(2,341)	(2,243)
Profit/(loss) before tax		5,217	(35,367)	(6,268)	(34,722)
Income tax expenses	4	(355)	(28)	(499)	(91)
Profit/(loss) from continuing operations		4,862	(35,395)	(6,767)	(34,813)
Discontinued operations					
Profit/(loss) from discontinued operations, net of tax	6	16	–	617	(1,571)
Profit/(loss) for the period		4,878	(35,395)	(6,150)	(36,384)
Other comprehensive income:					
Exchange difference arising on translation of foreign operations		(556)	88	(641)	303
Total comprehensive income/(loss) for the period		4,322	(35,307)	(6,791)	(36,081)
Profit/(loss) attributable to:					
Equity holders of the Company		4,878	(35,395)	(6,150)	(35,774)
Non-controlling interests		–	–	–	(610)
		4,878	(35,395)	(6,150)	(36,384)

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

For the three months and the nine months ended 30 June 2013

		Three months ended 30 June		Nine Months Ended 30 June	
		2013	2012	2013	2012
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes			(Restated)		(Restated)
Total comprehensive income					
Attributable to:					
Equity holders of the Company		4,322	(35,307)	(6,791)	(35,485)
Non-controlling interests		–	–	–	(596)
		4,322	(35,307)	(6,791)	(36,081)
Dividend	7	–	–	–	–
Profit/(loss) per share (HK Cents)					
From continuing and discontinued operations					
	5				
– Basic		0.004	(0.037)	(0.005)	(0.037)
– Diluted		N/A	N/A	N/A	N/A
Profit/(loss) per share (HK Cents)					
From continuing operations					
	5				
– Basic		0.004	(0.037)	(0.006)	(0.036)
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 June 2013

	Attributable to equity holders of the Company										Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000 (Note1)	Statutory surplus reserve fund HK\$'000 (Note2)	Statutory enterprise expansion fund HK\$'000 (Note 3)	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- Controlling interests HK\$'000	
At 1 October 2012 (Audited)	115,208	88,984	11,412	22,443	15,479	3,098	25,279	(175,406)	106,497	318	106,815
Loss for the period	-	-	-	-	-	-	-	(6,150)	(6,150)	-	(6,150)
Exchange differences arising on the translation of foreign operations	-	-	-	-	-	-	(641)	-	(641)	-	(641)
Total comprehensive Income for the period	-	-	-	-	-	-	(641)	(6,150)	(6,791)	-	(6,791)
Acquisition of subsidiaries (note 4)	19,000	26,600	-	-	-	-	-	-	45,600	-	45,600
Completion of disposal of discontinued operation	-	-	-	-	-	-	-	-	-	(318)	(318)
At 30 June 2013 (unaudited)	134,208	115,584	11,412	22,443	15,479	3,098	24,638	(181,556)	145,306	-	145,306
At 1 October 2011 (Audited)	96,008	79,168	8,574	22,443	15,479	3,098	25,262	(154,708)	95,324	2,405	97,729
Loss for the period	-	-	-	-	-	-	-	(35,774)	(35,774)	(610)	(36,384)
Exchange differences arising on the translation of foreign operations	-	-	-	-	-	-	289	-	289	14	303
Total comprehensive income (expense) for the period	-	-	-	-	-	-	289	(35,774)	(35,485)	(596)	(36,081)
Recognition of equity-settled share-based payment expenses	-	-	2,838	-	-	-	-	-	2,838	-	2,838
At 30 June 2012 (unaudited)	96,008	79,168	11,412	22,443	15,479	3,098	25,551	(190,482)	62,677	1,809	64,486

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 reorganization.
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 loss, 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 capitalization.

4. On 10 May 2013, the Company completed the acquisition of (i) the entire issued share capital of Icy Snow Limited and its subsidiaries and (ii) all the shareholder's loans owing by such companies to the vendor of such acquisition (the "Acquisition") at an aggregate consideration of HK\$45,600,000. The Company allotted and issued an aggregate of 190,000,000 new shares of HK\$0.10 each of the Company (the "Consideration Shares"), credited as fully paid, at the issue price of HK\$0.24 per Consideration Share to the vendor of the Acquisition for satisfying the consideration of the Acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

Longlife Group Holdings Limited (the “Company”) was incorporated and registered as an exempted company in the Cayman Islands under the Company Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. The shares of the Company (the “Shares”) are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 17 June 2004. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and the principal place of business of the Company in Hong Kong is located at Unit 310, 3/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the company is investment holding. The principal activities of its subsidiaries are (i) manufacture, research and development, sale and distribution of consumer cosmetic, health related and pharmaceutical products, health supplement wine, dental materials and equipment in the PRC and Hong Kong; and (ii) trading of securities in Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING

The unaudited condensed consolidated results for the nine months ended 30 June 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (the “**Interpretations**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of GEM Listing Rules of the Stock Exchange (the “**GEM Listing Rules**”).

The unaudited condensed consolidated results have been prepared under the historical cost basis, except for certain financial instruments which are measured at their fair values.

The principal accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those adopted in preparing the Group’s audited financial statements for the year ended 30 September 2012.

In the current period, the Group has adopted all the new and revised HKFRS issued by HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 October 2012. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, preparation of the Group’s financial statements and amounts reported for the current and prior periods. The financial statements are unaudited but have been reviewed by the audit committee of the Board.

The Group has not early adopted any new/revised HKFRSs that have been issued by are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact of the Group’s results of operations and financial position.

3. TURNOVER

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

	Three months ended 30 June		Nine Months Ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
Continuing operations				
Manufacturing and sales of consumer cosmetics	10,387	9,465	31,493	30,252
Manufacturing and sales of health related and pharmaceutical products	8,500	2,283	23,555	14,514
Manufacturing and sales of health supplement wine	361	185	1,523	1,090
Manufacturing and sales of dental material and equipment	193	146	2,735	1,887
	19,441	12,079	59,306	47,743
Discontinued operations				
Trading of synthetic rubber	—	—	120,437	—
Manufacturing and sales of capsule products	—	—	—	8,818

4. INCOME TAX EXPENSES

Continuing operations

	Three months ended 30 June		Nine Months Ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current tax				
Hong Kong income tax expenses	306	—	306	—
Income tax expenses arising in the PRC	49	28	193	91
	355	28	499	91

Income tax expenses arising in Hong Kong is calculated by applying the current rate of taxation of 16.5% (2012:16.5%) to the estimated profits earned in or derived for the three months and the nine months ended 30 June 2013. Income tax expenses arising in 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 loss followed by a 50% tax relief for PRC Enterprises 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. PROFIT/(LOSS) PER SHARE

Basic profit/(loss) per share is calculated by dividing the profit or, as the case may be, 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 30 June		Nine Months Ended 30 June	
	2013	2012 (Restated)	2013	2012 (Restated)
Profit/(loss) attributable to the equity holders of the Company (HK\$'000)	4,878	(35,395)	(6,150)	(35,774)
Weighted average number of ordinary shares in issue ('000)	1,212,464	960,080	1,212,464	960,080
Basic earnings/(loss) per share (HK cents)	0.004	(0.037)	(0.005)	(0.037)

For continuing operations

	Three months ended 30 June		Nine Months Ended 30 June	
	2013	2012 (Restated)	2013	2012 (Restated)
Profit/(loss) attributable to the equity holders of the Company from continuing operations (HK\$'000)	4,878	(35,395)	(6,150)	(35,774)
Less: Profit/(loss) attributable to equity from discontinued operations (HK\$'000)	16	–	617	(961)
Profit/(loss) attributable to the equity holders of the Company (HK'000)	4,862	(35,395)	(6,767)	(34,813)
Weighted average number of ordinary shares in issue ('000)	1,212,464	960,080	1,212,464	960,080
Basic and diluted earnings/(loss) per share (HK cents)	0.004	(0.037)	(0.006)	(0.036)

For the three months and the nine months ended 30 June 2013, the computation of diluted earnings/(loss) per share from continuing operations and from continuing and discontinued operations did not consider the impact of the potential ordinary Shares as the exercise prices of the Company's outstanding share options were higher than the average market share price of the Company for the relevant periods.

6. DISCONTINUED OPERATIONS

- (a) 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, had 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 recognized during the nine months ended 30 June 2013.

- (b) On 26 March 2013, the Company and Joystar (BVI) Auto Inter-Parts Limited entered into a sale and purchase agreement in relation to the disposal of the entire issue capital of Sinogate Energy Limited ("Sinogate"), a direct wholly-owned subsidiary of the Company. The consideration of such disposal of HK\$28 million was satisfied in cash upon completion, which took place on 21 May 2013. Sinogate and its subsidiaries carried out all of the Group's trading business of synthetic rubber. Immediately after completion, Sinogate and its subsidiaries ceased to be subsidiaries of the Company. The Company recognized and recorded a gain on disposal of approximately HK\$27.4 million as other gains and losses in connection with such disposal.

During the nine months ended 30 June 2013, profit for the period from discontinued operation was mainly attributable to the gain arising from the business of trading of synthetic rubber.

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

Profit for the period from discontinued operations

	Three months ended 30 June 2013		Total HK'000	Nine months ended 30 June 2013		Total HK'000
	HK'000 ZS Capsules	HK'000 Sinogate		HK'000 ZS Capsules	HK'000 Sinogate	
Turnover	–	–	–	–	120,437	120,437
Cost of goods sold	–	–	–	–	(119,659)	(119,659)
Gross profit	–	–	–	–	778	778
Other gains and losses	–	16	16	–	15	15
Selling and distributable expenses	–	–	–	–	–	–
Administrative expenses	–	–	–	–	(4)	(4)
Finance costs	–	–	–	–	(53)	(53)
Profit before tax	–	16	16	–	736	736
Income tax expenses	–	–	–	–	(119)	(119)
Profit for the period from discontinued operations	–	16	16	–	617	617

	Three months ended			Nine months ended		
	30 June 2012	Total		30 June 2012	Total	
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
	ZS Capsules	Sinogate		ZS Capsules	Sinogate	(Restated)
Turnover	—	—	—	—	8,818	8,818
Cost of goods sold	—	—	—	—	(7,977)	(7,977)
Gross profit	—	—	—	—	841	841
Other gains and losses	—	—	—	—	11	11
Selling and distributable expenses	—	—	—	—	(752)	(752)
Administrative expenses	—	—	—	—	(814)	(814)
Finance costs	—	—	—	—	(857)	(857)
Loss before tax	—	—	—	—	(1,571)	(1,571)
Income tax expenses	—	—	—	—	—	—
Loss for the period from discontinued operation	—	—	—	—	(1,571)	(1,571)

7. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 June 2013 (2012: Nil).

8. ACQUISITION OF SUBSIDIARIES

On 10 May 2013, the Group completed the acquisition of (i) the entire issued share capital of Icy Snow Limited and its subsidiaries and (ii) all the shareholder's loans owing by such companies to the vendor of such acquisition (the "Acquisition") at an aggregate consideration of HK\$45,600,000. The Company allotted and issued an aggregate of 190,000,000 new shares of HK\$0.10 each of the Company (the "Consideration Shares"), credited as fully paid at the issue price of HK\$0.24 per Consideration Share, to the vendor for satisfying the consideration of the Acquisition. Pursuant to the sale and purchase agreement dated 7 March 2013 entered into between the vendor and the Company, the vendor has irrevocably and unconditionally guaranteed to the Company that the unaudited consolidated net profit after taxation of Icy Snow Limited and its subsidiaries for the year ending 31 December 2013, 31 December 2014 and 31 December 2015 shall in aggregate be not less than HK\$12,000,000. The details of the Acquisition are set out in the Company's announcements dated 7 March 2013, 10 May 2013 and 17 June 2013.

9. EVENTS AFTER THE REPORTING PERIOD

(a) Convertible Notes

On 3 June 2013, the Company entered into a conditional sale and purchase agreement (the "SP Agreement") with Best Pharmaceutical Limited (the "Vendor") to purchase (i) the entire issued share capital of Jet Rich Investment Limited and its subsidiary and (ii) all the shareholder's loan owing by such companies to the Vendor at an aggregate consideration of HK\$27,000,000. Pursuant to the agreement dated 5 July 2013 supplemental to the SP Agreement (the "Supplemental Agreement"), the consideration shall be satisfied by the Company issuing the 2016 due 7% convertible notes (the "Convertible Notes") in the aggregate principal amount of HK\$23,000,000 at 7% per annum interest rate for three years at the initial conversion price (the "Conversion Price") of HK\$0.10 per conversion Share (subject to adjustments) to the Vendor and the Company shall satisfy the remaining consideration in cash on completion.

On 26 July 2013, such acquisition was completed and the Company issued the Convertible Notes in the aggregate principal amount of HK\$23,000,000 to the Vendor and settled the remaining consideration of HK\$4,000,000 in cash. The Vendor exercised the conversion rights attached to the Convertible Notes in full on 5 August 2013 and a total of 230,000,000 conversion Shares at the Conversion Price were allotted and issued by the Company to the Vendor on 6 August 2013.

Details of the transaction are set out in the Company's announcements dated 3 June 2013, 4 June 2013, 5 July 2013, 9 July 2013 and 26 July 2013.

(b) Proposed Change of Domicile, Proposed Amendment to the Articles, Proposed Cancellation of Share Premium Account and Proposed Capital Reorganisation

On 5 July 2013, the Company announced that the Directors proposed to put forward to shareholders of the Company ("Shareholders") the proposals for change of domicile, amendment to the articles of association of the Company (the "Articles"), cancellation of share premium account and capital reorganisation which will involve:

Proposed Change of Domicile

The Company proposed to change the domicile of the Company from the Cayman Islands to Bermuda (the "Change of Domicile") by way of deregistration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The implementation of the Change of Domicile will not affect the continuity of the Company and its listing status.

Proposed Amendment to the Articles

The Company proposed to amend the Articles in order to facilitate the Change of Domicile. The Company proposed that a new article be added to the Articles to allow the Company to deregister in the Cayman Islands and to be registered by way of continuation in another jurisdiction.

Proposed Cancellation of Share Premium Account

- (i) The Company proposed to cancel the entire amount standing to the credit of share premium account of the Company and to transfer the credit arising from such cancellation to an existing account of the Company designated as the contributed surplus account of the Company before the Change of Domicile. The Company has a credit balance of approximately HK\$115,584,000 standing in its share premium account.
- (ii) The existing account of the Company designated as the contributed surplus account of the Company, subject to the approval of the Shareholders at the extraordinary general meeting of the Company ("EGM") by way of special resolution, shall be the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda effective upon the Change of Domicile.

Proposed Capital Reorganisation

The proposed capital reorganisation ("Capital Reorganisation") which will involve the following:

- (i) Every 5 existing Shares will be consolidated into one consolidated share (the "Share Consolidation") and the total number of consolidated shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation.
- (ii) The issued share capital of the Company will be reduced through a cancellation of paid up capital of the Company to the extent of HK\$0.49 on each of the issued consolidated shares such that the nominal value of each issued consolidated share will be reduced from HK\$0.50 to HK\$0.01.
- (iii) Immediately following the capital reduction, each of the authorized but unissued consolidated share of HK\$0.50 each will be sub-divided into 50 new shares of HK\$0.01 each.
- (iv) The credit arising in the books of the Company from (a) the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation and (b) the reduction of the paid-up capital of HK\$131,523,840 will be credited to the contributed surplus account of the Company within the meaning of the Company Act 1981 of Bermuda.

Proposed Change of Domicile, proposed amendment to the Articles, proposed cancellation of share premium account and Capital Reorganisation are subject to the approval by the Shareholder at the EGM to be held on 19 August 2013.

For further details of the proposed Change of Domicile, proposed amendment to the Articles, proposed cancellation of share premium account and Capital Reorganisation, please refer to the announcements of the Company dated 5 July 2013 and 19 July 2013 and the circular of the Company dated 25 July 2013.

10. SHARE OPTION SCHEME

During the nine months ended 30 June 2013, no share option was granted, exercised, expired or lapsed under the share option scheme of the Company approved on 26 May 2004.

BUSINESS REVIEW

During the period for the three months ended 30 June 2013, there were some changes in the mix of the Group's major business. The Group has disposed of its trading business of synthetic rubber which was completed on 14 May 2013. In this third-quarterly report, the result of this business segment was included in discontinued operation.

On 10 May 2013, the Group completed the acquisition of a group companies principally engaged in trading of pharmaceutical products and health supplement products in the PRC and Hong Kong. Details of such acquisition were disclosed in the announcement of the Company dated 10 May 2013. The Group anticipates that such acquisition will generate positive results to the Group. Subsequent to the said acquisition, the Group entered into a contract with a new supplier to import several health supplements to enhance its wholesale performance in Hong Kong.

On 3 June 2013, the Group entered into an agreement to acquire the holding company of a research and development centre in Beijing, namely, 北京創新美凱科技開發有限公司 (unofficial English translation being Beijing Chuangxin Meikai Technology Development Co., Ltd.) ("Beijing Chuangxin"), at the consideration of HK\$27 million. Completion of such acquisition took place on 26 July 2013. Beijing Chuangxin is principally engaged in the research and development of Chinese patented medicine products and is currently holding five patents for medical use. Such acquisition is expected to diversify the pharmaceutical and healthcare products business of the Group, and Beijing Chuangxin can also act as a proprietary source of products feeding into a manufactory project being developed by the Group in Guizhou, PRC. Details of this acquisition were disclosed in the announcements of the Company dated 3 June 2013, 4 June 2013, 5 July 2013, 9 July 2013 and 26 July 2013.

On 28 June 2013, 貴州紅花崗區經濟開發區管委會 (in English, for identification purpose, Guizhou Hong Hua Gang District Economic Development District Management Committee) (the "Committee") and the Group entered into a formal cooperation agreement ("Cooperation Agreement"). Such cooperation offers the Group an opportunity to expand its business into the field of manufacturing of pharmaceutical and healthcare products. Details of the Cooperation Agreement were disclosed in the announcement of the Company dated 28 June 2013.

Revenue

In the nine months ended 30 June 2013 (the "2013 Q3 Period"), continuing operation achieved a turnover of approximately HK\$59,306,000, representing an increase of 24.22% as compared with the turnover of the corresponding period in 2012 (the "2012 Q3 Period"). The newly acquired business generated revenue of approximately HK\$6,727,000 during the three months ended 30 June 2013.

Gross profit

For the 2013 Q3 Period, the Group's gross profit of the continuing operations increased by 108% as compared with the corresponding period in 2012. The gross profit of the continuing operations increased from approximately HK\$9,787,000 for the 2012 Q3 Period to approximately HK\$20,390,000 for the 2013 Q3 Period. The newly acquired business contributed approximately HK\$2,621,000 to the gross profit for the three months ended 30 June 2013. In addition to the contribution made by the newly acquired business, the Group also attributed the improvement principally to the increase in sales volume of high-end products in the current period.

Results for the Period

During the 2013 Q3 Period, the PRC economy was still under pressure. The domestic consumer business was going through difficulties of the inflation and the increase of labour cost. Although the management has already taken various cost control measure, unsatisfactory financial assets investments led to the Group suffered net loss of approximately HK\$6,767,000 for the 2013 Q3 Period (2012: HK\$34,813,000). The Group recognized the net loss result of trading financial assets at fair value through profit or loss amounting to HK\$15,727,000 for the 2013 Q3 Period (2012: HK\$9,721,000). The net loss result of trading financial assets at fair value through profit or loss recorded as other gains and losses.

In general, despite the Group continued to record a loss in respect of its continuing operations of approximately HK\$6,767,000 for the entire 2013 Q3 Period, with the gain on disposal of a subsidiary of approximately HK\$27,400,000 recognised during the three months ended 30 June 2013, the Group recorded an unaudited profit for its continuing operations of approximately HK\$4,862,000 for such three months period.

FUTURE PROSPECTS

Looking ahead, the Board expects that the operating environment of the consumer business in the PRC will continue to be tough due to inflation, the pressure of wages increment and fierce competition from competitors in the PRC. In order to tackle the anticipated challenges and stay competitive, the Group will allocate more resources in network marketing sales in the PRC and is negotiating with the relevant partner companies. Besides, the Group will continue the price cutting strategy to maintain the market share.

The Group continues the implementation of the business model of “asset minimization, and focus on operation and full services”, which is still the primary objective of the Group. The Group will constantly introduce western healthcare products under foreign brands to increase sales and profit of the Group in the future. Assisting with the continuing policy of implementation of cost control measures, the Board expected the performance of the Group will have improvement.

During the 2013 Q3 Period, the Group started to expand its production capacity to OEM business and disinfection products business through the alteration of the existing production facilities. The sterilization plant is now under construction and the relevant government licenses are in the process of application. The Group’s pharmaceutical and healthcare products business will be further diversified by the cooperation between the Committee and the Group in Guizhou, and Beijing Chuangxin, the nearly acquired wholly owned subsidiary, is expected to help the Group achieve satisfactory profit growth in long term.

Along with the completion of the re-engineering of the business model of the Group and the expanding of the production capacity and the distribution channel, the Board has optimistic outlook for the Group’s operation. The Group will also look for the potential good acquisition opportunities and believe that the substantial efforts which we have exerted will generate long-term growth and returns for the Group and the Shareholders.

OTHER INFORMATION

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meanings of Part XV of the Securities and Future Ordinance (the “SFO”)) which are notified 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 to be recorded in the register kept 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 Stock Exchange were as follows:

LONG POSITIONS IN THE ORDINARY SHARES OF THE COMPANY

Name	Capacity	Number of ordinary shares	Position	Approximate percentage of the total issued shares
Directors				
Cheung Hung	Beneficial owner and family interest	5,000,000	Long	0.37%
Chief executive				
Yang Shunfeng	Beneficial owner	425,000	Long	0.03%

Note: As at 30 June 2013, the total number of the issued shares of the Company was 1,342,080,000 ordinary shares of HK\$0.10 each of the Company ("Shares").

SHARE OPTIONS GRANTED

Name Of Director	Date of grant	Exercisable period	Subscription price per shares	Aggregate long positions in underlying shares of the Company	Approximate percentage of the total issued shares
Cheung Hung	9 April 2010	9 April 2010 to 8 April 2020	HK\$0.355	5,000,000	0.37%

Save as disclosed above, none of the Directors nor the chief executives of the Company had, as at 30 June 2013, any interest 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 are notified 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 of the Company is taken or deemed to have under such provision of the SFO) or which are required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or which are required pursuant to Rule 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 30 June 2013, 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 EXECUTIVE'S 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	No. of Shares held	Approximately percentage
Lo Lai Kuen	190,000,000	14.16%
Susquehanna Pacific Pty Ltd (<i>Notes 1 and 2</i>)	92,990,000	6.93%
Susquehanna Australia LLC (<i>Note 2</i>)	92,990,000	6.93%
Susquehanna International Holdings LLC (<i>Note 2</i>)	92,990,000	6.93%
SIH Partners LLLP (<i>Note 2</i>)	92,990,000	6.93%
Columbus International Holdings, Inc (<i>Note 1</i>)	92,990,000	6.93%
Yass Jeffrey (<i>Note 1</i>)	92,990,000	6.93%

Notes:

1. Susquehanna Pacific Pty Ltd is the beneficial owner of 92,990,000 Shares, representing approximately 6.93% of the issued share capital of the Company.
2. Susquehanna Pacific Pty Ltd is a company wholly owned by Susquehanna Australia LLC, which is controlled by Susquehanna International Holdings LLC. Susquehanna International Holdings LLC is controlled by SIH Partners LLLP, which is in turn owned as to 58.35% by Columbus International Holdings, Inc. Columbus International Holdings, Inc is controlled by Yass Jeffrey. Susquehanna Australia LLC, Susquehanna International Holdings LLC, SIH Partners LLLP, Columbus International Holdings, Inc and Yass Jeffrey are deemed to be interested in the Shares held by Susquehanna Pacific Pty Ltd.

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 2013.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, at no time during the nine months ended 30 June 2013 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 share in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

On 26 May 2004, the Company approved and adopted a share option scheme (the "Scheme") for the purpose of enabling the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group.

Particulars of the movement of the options held by each of the Directors, substantial Shareholder, the employees of the Company and its affiliates (other than the Directors and substantial Shareholder) and other participants in aggregate granted under the Scheme during the nine months ended 30 June 2013 were as follows:

		Option Number						
	Held at 1.10.2012	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Held at 30.06.2013	Exercise price HK\$	Exercise period
Date of grant: 9 April 2010								
Director								
– Cheung Hung	5,000,000	–	–	–	–	5,000,000	0.355	9.4.2010 to 8.4.2020
Employees and service providers	45,000,000	–	–	–	–	45,000,000	0.355	9.4.2010 to 8.4.2020
Date of grant: 22 March 2012								
Employees and service providers (in aggregate)	70,000,000	–	–	–	–	70,000,000	0.200	22.3.2012 to 21.3.2015
	120,000,000	–	–	–	–	120,000,000		

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Disposal of subsidiary

On 21 May 2013, the Company disposed of its entire equity interest in Sinogate Energy Limited to Joystar (BVI) Auto Inter-Parts Limited, an independent third party, at a consideration of HK\$28,000,000 in cash.

(b) Acquisition of subsidiaries

On 10 May 2013, the Company completed the acquisition of 100% of the entire issued share capital of Icy Snow Limited and its subsidiaries ("Acquisition"). The Company allotted and issued an aggregate of 190,000,000 new Shares (the "Consideration Shares"), credited as fully paid, at the issue price of HK\$0.24 per Consideration Share to the vendor of the acquisition for satisfying the consideration of the Acquisition.

Apart from the disposal and acquisition of subsidiaries, the Group had no material acquisition or disposal during the period.

COMPETING INTERESTS

As at the date of this report, none of the Directors or controlling Shareholders (as defined in the GEM Listing Rules) or any of their respective associates had any interests in a business which competes or may compete with the business of the Group or had or might have any conflict of interests with the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing rules. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors during the nine months ended 30 June 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with the code provisions of Code on Corporate Governance Practices (the “Code”) set out in Appendix 15 to the GEM Listing Rules throughout the nine months ended 30 June 2013, except for the following deviations:

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election. Currently, majority of the independent non-executive Directors have no specific term of appointment but they are subject to retirement by rotation in accordance with the Articles. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

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 all three independent non-executive Directors, namely, Mr. Yeung Chi Tit, Mr. Kwok Shun Tim and Mr. Leung Ka Fai.

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 nine months ended 30 June 2013.

By Order of the Board
Longlife Group Holdings Limited
Leung Pak Hou Anson
Executive Director

Hong Kong, 14 August 2013

As at the date of this report, the Board comprises (i) three executive Directors namely, Mr. Cheung Hung, Mr. Leung Pak Hou Anson and Ms. Chen Miaoping and (ii) three independent non-executive Directors namely Mr. Yeung Chi Tit, Mr. Kwok Shun Tim and Mr. Leung Ka Fai.