



2013/14 Second Interim Report
Fourth Quarterly Report

朗力福®

Longlife Group Holdings Limited

朗力福集團控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8037

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

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This report, for which the directors (the “Directors”) of Longlife Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the 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 FOURTH QUARTERLY 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 twelve months ended 30 September 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 twelve months ended 30 September 2013

		Three months ended 30 September		Twelve months ended 30 September	
	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000 (Restated)
Continuing operations					
Turnover	5	22,143	13,524	81,449	61,267
Cost of sales		(7,933)	(6,383)	(46,849)	(22,839)
Gross profit		14,210	7,141	34,600	38,428
Other gains/(losses)		(7,326)	24,775	(22,587)	(2,059)
Selling and distribution expenses		(7,179)	(6,130)	(29,117)	(23,804)
Administrative expenses		(7,981)	(5,099)	(22,459)	(24,357)
Finance costs	6	(913)	(746)	(3,286)	(2,989)
Profit/(loss) before tax	7	(9,189)	19,941	(42,849)	(14,781)
Income tax (expenses)/credit	8	(205)	5	(704)	(86)
Profit/(loss) from continuing operations		(9,394)	19,946	(43,553)	(14,867)
Discontinued operations					
Profit/(loss) from discontinued operations, net of tax	19	–	(6,340)	28,008	(7,911)
Profit/(loss) for the period		(9,394)	13,606	(15,545)	(22,778)
Other comprehensive income/(loss):					
Exchange difference arising on translation of foreign operations		(119)	(293)	(760)	10
Total comprehensive income/(loss) for the period		(9,513)	13,313	(16,305)	(22,768)
Profit/(loss) attributable to:					
Equity holders of the Company		(9,394)	15,076	(15,545)	(20,698)
Non-controlling interests		–	(1,470)	–	(2,080)
		(9,394)	13,606	(15,545)	(22,778)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	Three months ended 30 September		Twelve months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000 (Restated)
Total comprehensive income					
Attributable to:					
Equity holders of the Company		(9,513)	14,804	(16,305)	(20,681)
Non-controlling interests		–	(1,491)	–	(2,087)
		(9,513)	13,313	(16,305)	(22,768)
Dividend	9	–	–	–	–
Profit/(loss) per share					
From continuing and discontinued operations (HK\$)	10				
– Basic		(0.037)	0.070	(0.062)	(0.118)
– Diluted		(0.037)	0.070	(0.062)	(0.118)
Profit/(loss) per share					
From continuing operations (HK\$)	10				
– Basic		(0.037)	0.103	(0.173)	(0.077)
– Diluted		(0.037)	0.103	(0.173)	(0.077)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2013 (Unaudited) HK\$'000	As at 30 September 2012 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		18,053	14,150
Prepaid lease payments		5,680	4,557
Goodwill	14	45,192	–
Intangible Asset		8,196	–
		77,121	18,707
CURRENT ASSETS			
Prepaid lease payments		143	121
Held-for-trading investments		40,171	66,713
Inventories		52,684	44,273
Trade and bills receivables	11	16,203	11,791
Prepayments and other receivables		32,085	10,225
Cash and bank balances		46,565	38,277
Assets held for sale		–	818
		187,851	172,218
CURRENT LIABILITIES			
Trade and bills payables	12	22,676	8,623
Other payables and accruals	13	54,196	63,259
Bank and other borrowings		28,830	12,228
Tax payable		478	–
		106,180	84,110

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2013 (Unaudited) HK\$'000	As at 30 September 2012 (Audited) HK\$'000
	<i>Note</i>		
NET CURRENT ASSETS		81,671	88,108
NET ASSETS		158,792	106,815
CAPITAL AND RESERVES			
Share capital	15	3,144	115,208
Share premium and reserves		155,648	(8,711)
Equity attributable to equity holders of the Company		158,792	106,497
Non-controlling interests		–	318
TOTAL EQUITY		158,792	106,815

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Twelve months ended 30 September 2013

	Attributable to equity holders of the Company										Non-Controlling interests	Total Equity
	Share capital	Share premium	Share option reserve	Special reserve	Convertible notes equity reserve	Statutory surplus reserve fund	Statutory enterprise expansion fund	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note1)	HK\$'000	HK\$'000 (Note2)	HK\$'000 (Note 3)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	-	-	-	-	(15,545)	(15,545)	-	(15,545)
Exchange differences arising on the translation of foreign operations	-	-	-	-	-	-	-	(760)	-	(760)	-	(760)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(760)	(15,545)	(16,305)	-	(16,305)
Issuing of convertible notes for acquisition of subsidiaries	-	-	-	-	1,190	-	-	-	-	1,190	-	1,190
Shares issued on conversion of convertible notes (Notes 15b)	23,000	-	-	-	(1,190)	-	-	-	-	21,810	-	21,810
Acquisition of subsidiaries (Note 15a)	19,000	26,600	-	-	-	-	-	-	-	45,600	-	45,600
Capital reorganisation	(154,064)	(115,584)	-	212,948	-	-	-	-	56,700	-	-	-
Completion of disposal of discontinued operation	-	-	-	-	-	-	-	-	-	-	(318)	(318)
At 30 September 2013 (Unaudited)	3,144	-	11,412	235,391	-	15,479	3,098	24,519	(134,251)	158,792	-	158,792
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	-	-	-	-	-	-	-	-	(20,698)	(20,698)	(2,087)	(22,785)
Exchange differences arising on the translation of foreign operations	-	-	-	-	-	-	-	17	-	17	-	17
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	17	(20,698)	(20,681)	(2,087)	(22,768)
Share-based compensation	-	-	2,838	-	-	-	-	-	-	2,838	-	2,838
Issue of ordinary shares by placing	19,200	10,560	-	-	-	-	-	-	-	29,760	-	29,760
Less: Shares issue - expenses on placing	-	(744)	-	-	-	-	-	-	-	(744)	-	(744)
At 30 September 2012 (Audited)	115,208	88,984	11,412	22,443	-	15,479	3,098	25,279	(175,406)	106,497	318	106,815

Notes:

1. Special reserve of approximately HK\$22,443,000 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. The Company recorded the special reserve of approximately HK\$212,948,000 after set-off of the capital reduction and the cancellation of the share premium with the accumulated loss as at the date of the change of domicile and the capital reorganisation of the Company ("Capital Reorganisation") becoming effective on 19 August 2013 and 19 September 2013 respectively.
2. Pursuant to the articles of association of certain subsidiaries of the Company in the People's Republic of China ("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 capitalisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Twelve months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(32,032)	(1,574)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	27,127	(13,900)
NET CASH INFLOW FROM FINANCING ACTIVITIES	12,945	28,792
INCREASE IN CASH AND CASH EQUIVALENTS	8,040	13,318
Reclassified to non-current assets held for sales	–	(256)
Cash and cash equivalents at beginning of period	38,277	25,065
Effect of foreign exchange rate changes	248	150
CASH AND CASH EQUIVALENTS AT END OF PERIOD	46,565	38,277

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

Longlife Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) 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. On 29 August 2013, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. 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 shares of the Company (the “Share”) 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 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 cosmetics, 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

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated results have been prepared under the historical cost basis, as appropriate.

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the twelve months ended 30 September 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 September 2012.

For the twelve months ended 30 September 2013, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures- Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS11 and HKFRS12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance

HKFRS 13	Fair Value Measurement
HKAS 1(Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011
	Cycle except for the amendments to HKAS 1
HK(IFRC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Directors anticipate that the application of the above amendments to HKFRSs for the twelve months ended 30 September 2013 has no material effect on the Group's results and disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

The Group is principally engaged in (i) the manufacture, research and development and distribution, sale and distribution of consumer cosmetics, 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.

Condensed consolidated income statements

For the twelve months ended 30 September 2013 (Unaudited)

	Manufacturing and sales of consumer cosmetics HK\$'000	Manufacturing and sales of health related products HK\$'000	Trading of financial asset at fair value through profit or loss HK\$'000	Others HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Turnover	41,934	33,516	-	5,999	81,449	120,437	201,886
Segment results	(1,501)	(3,098)	(23,897)	168	(28,328)	736	(27,592)
Unallocated other gain (loss)					1,310	-	1,310
Unallocated corporate expenses					(12,545)	-	(12,545)
Gain on disposal of subsidiary					-	27,391	27,391
Finance costs					(3,286)	-	(3,286)
Income tax expenses					(704)	(119)	(823)
Profit/(loss) for the period					(43,553)	28,008	(15,545)

Longlife Group Holdings Limited

For the twelve months ended 30 September 2012 (Audited)

	Manufacturing and sales of consumer cosmetics HK\$'000 (Restated)	Manufacturing and sales of health related products HK\$'000 (Restated)	Trading of financial asset at fair value through profit or loss HK\$'000 (Restated)	Others HK\$'000 (Restated)	Continuing operations HK\$'000 (Restated)	Discontinued operations HK\$'000 (Restated)	Total HK\$'000 (Restated)
Turnover	39,640	17,113	–	4,514	61,267	42,140	103,407
Segment results	3,387	(2,920)	(4,105)	41	(3,597)	(790)	(4,387)
Unallocated other gains (loss)					(2,039)	1,116	3,155
Unallocated corporate expenses					(10,234)	–	(10,234)
Impairment					–	(7,431)	(7,431)
Finance costs					(2,989)	(806)	(3,795)
Income tax expenses					(86)	–	(86)
Loss for the period					(14,867)	(7,911)	(22,778)

Other information

For the twelve months ended 30 September 2013 (Unaudited)

	Manufacturing and sales of consumer cosmetics HK\$'000	Manufacturing and sales of health related products HK\$'000	Trading of financial asset at fair value through profit or loss HK\$'000	Others HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Capital expenditure	1,782	1,424	–	255	3,461	–	3,461
Amortisation of prepaid lease payments	47	37	–	7	91	–	91
Depreciation of property, plant and equipment	831	664	–	119	1,614	–	1,614

For the twelve months ended 30 September 2012 (Audited)

	Manufacturing and sales of consumer cosmetics HK\$'000	Manufacturing and sales of health related products HK\$'000	Trading of financial asset at fair value through profit or loss HK\$'000	Others HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Capital expenditure	431	289	–	22	742	49	791
Amortisation of prepaid lease payments	70	47	–	4	121	33	154
Depreciation of property, plant and and equipment	686	456	–	339	1,481	664	2,145

No segment information of assets and liabilities is provided to the Board of Director for the assessment of performance of different segments. Accordingly, no segment assets and liabilities information presents.

5. TURNOVER

Turnover represents the amounts received and receivables 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.

6. FINANCE COSTS

	Three months ended		Twelve months ended	
	30 September	30 September	30 September	30 September
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000 (Restated)
Continuing operations				
Interest expenses:				
– bank borrowings wholly repayable within five years	329	209	1,317	974
– other borrowings wholly repayable within five years	573	537	1,958	2,015
– effective interest on debt component of convertible notes (Note)	11	–	11	–
	913	746	3,286	2,989
Discontinued operations				
Interest expenses:				
– bank borrowings wholly repayable within five years	–	–	–	806
	–	–	–	806

Note:

During the three months ended 30 September 2013, the Company has issued convertible notes as part of the consideration for the acquisition of certain companies. Please refer to Note 14 to these unaudited consolidated financial statements for details. The convertible notes in the aggregate principal amount of HK\$23,000,000 had been issued by the Company on 26 July 2013 and a total of 230,000,000 conversion Shares were allotted and issued to the convertible noteholder on 6 August 2013 upon the exercise of the conversion right attached to the convertible notes in full.

7. PROFIT/(LOSS) BEFORE TAX

	Three months ended 30 September		Twelve months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000 (Restated)
Profit/(loss) before tax has been arrived at after charging				
Continuing operations				
Cost of inventories, recognised as an expenses	7,933	6,383	46,849	22,839
Depreciation of property, plant and equipment	446	287	1,614	1,481
Discontinued operations				
Cost of inventories, recognised as an expenses	—	32,915	119,659	40,833
Depreciation of property, plant and equipment	—	—	—	664

8. INCOME TAX EXPENSES/(CREDIT)

	Three months ended 30 September		Twelve months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000 (Restated)
Continuing operations				
The amount comprises				
Hong Kong profit tax				
Current period	26	—	332	—
Taxation arising in the PRC				
Current period	179	(5)	372	86
Discontinued operations				
The amount comprises				
Hong Kong profit tax				
Current period	—	—	119	—
Taxation arising in the PRC				
Current period	—	—	—	—

Income tax expenses incurred 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 twelve months ended 30 September 2013 and 2012. Income tax expenses incurred in the PRC is calculated at the rates prevailing in the relevant jurisdiction.

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 utilised in the foreseeable future is uncertain.

9. DIVIDEND

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

10. 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 September		Twelve months ended 30 September	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Audited) (Restated)
Profit/(loss) attributable to the equity holders of the Company (HK\$'000)	(9,394)	13,606	(15,545)	(22,778)
Weighted average number of ordinary shares in issue ('000)	252,465	193,805	252,465	193,805
Basic loss per shares (HK\$)	(0.037)	0.070	(0.062)	(0.118)

For continuing operations

	Three months ended 30 September		Twelve months ended 30 September	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Audited) (Restated)
Profit/(loss) attributable to the equity holders of the company (HK\$'000)	(9,394)	13,606	(15,545)	(22,778)
Less: Profit/(loss) attributable to equity from discontinued operations (HK\$'000)	–	(6,340)	28,008	(7,911)
Profit/(loss) attributable to the equity holders of the Company from continuing operations (HK\$'000)	(9,394)	19,946	(43,553)	(14,867)
Weighted average number of Ordinary shares in issue ('000)	252,465	193,805	252,465	193,805
Basic and diluted earnings/(loss) per share (HK\$)	(0.037)	0.103	(0.173)	(0.077)

For the three months and the twelve months ended 30 September 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. The computation of diluted loss per share for the current period does not assume the correction of convertible bonds since it will result in a decrease in loss per share.

For the purpose of calculating the basic and diluted earnings/(loss) per share above, the Capital Reorganisation was deemed to be effective on 1 October 2011. The comparative figures for the twelve months ended 30 September 2011 have been adjusted accordingly.

11. TRADE AND BILLS RECEIVABLES

	30 September 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
Trade and bills receivables	35,301	30,158
Less: Allowance for bad and doubtful debts	(19,098)	(18,367)
	16,203	11,791

The Group has a policy of allowing an average credit period of 90 days to its trade customers. The ageing analysis of trade and bills receivables net of allowance was as follows:

	30 September 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
0-90 days	7,363	6,290
91-180 days	7,016	3,166
181-365 days	1,730	2,320
Over 365 days	94	15
	16,203	11,791

Ageing analysis of trade receivables past due but not impaired:

	30 September 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
91-180 days	7,016	3,166
181-365 days	1,730	2,320
Over 365 days	94	15
	8,840	5,501

12. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables was as follows:

	30 September 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
0-90 days	9,881	5,664
91-180 days	2,164	35
181-365 days	5,540	191
Over 365 days	5,091	2,733
	22,676	8,623

13. OTHER PAYABLES AND ACCRUALS

	30 September 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
Receipt in advance	7,746	3,409
Accruals and others	19,918	30,700
Provision for value-added tax, and other government duties	14,524	13,670
Amount due to an ex-director	12,008	15,480
	54,196	63,259

- (a) Accruals and others include HK\$14,515,000 of margin payable which are generated from financial assets as FVTPL with interests rate ranged from 8% to 13% per annum for the year ended 30 September 2012. There is no such margin payable for the three months and the twelve months ended 30 September 2013.
- (b) The amount of HK\$12,008,000 is unsecured, bearing interest at 6.903% per annum (30 September 2012: 6.903% per annum) and has no fixed term of repayment. The advance was made by Mr. Yang Honggen for general working capital of the Company.

14. ACQUISITION OF SUBSIDIARIES

- (a) On 10 May 2013, the Company completed the acquisition of (i) the entire issued share capital of Icy Snow Limited and its subsidiaries (the “Icy Snow Group”) and (ii) all the shareholder’s loans owing by such companies to the vendor of such acquisition (the “Icy Snow 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 Icy Snow 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 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. In the event that the unaudited consolidated net profit of Icy Snow Limited after taxation for the three years ending 31 December 2015 are equal to or more than HK\$24,000,000, the Company shall pay to the vendor a sum of HK\$3,000,000 in cash as bonus payment. The details of the Icy Snow Acquisition are set out in the announcements of the Company dated 7 March 2013, 10 May 2013 and 17 June 2013.

- (b) On 3 June 2013, the Company entered into a sale and purchase agreement (the “SP Agreement”) to acquire (i) the entire issued share capital of Jet Rich Investment Limited and its subsidiary, 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”) (the “Jet Rich Group”) (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 was satisfied by (i) issuing the convertible notes in aggregate principal amount of HK\$23,000,000 at the initial conversion price of HK\$0.10 (subject to adjustments) per conversion share to the vendor and (ii) settling the remaining consideration of HK\$4,000,000 in cash on completion, which took place on 26 July 2013.

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 of HK\$0.10 each of the Company at the initial conversion price of HK\$0.10 per conversion share were allotted and issued by the Company to the Vendor on 6 August 2013. The details of the acquisition of the Jet Rich Group are set out in the announcements of the Company dated 3 June 2013, 4 June 2013, 5 July 2013, 9 July 2013 and 26 July 2013.

	Jet Rich Group (Unaudited) HK\$'000	Icy Snow Group (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Net Asset acquired			
Intangible assets	8,147	–	8,147
Property, plant and equipment	1,172	491	1,663
Goodwill	–	3,471	3,471
Inventories	–	5,588	5,588
Trade and other receivables	13,808	7,444	21,252
Tax recoverable	–	68	68
Cash and cash equivalents	3,809	3,933	7,742
Trade and other payables	(3)	(16,892)	(16,895)
Tax payable	(14)	(143)	(157)
	26,919	3,960	30,879
Goodwill	81	41,640	41,721
Total consideration	27,000	45,600	72,600
Consideration satisfied by:			
Cash paid	4,000	–	4,000
Convertible notes	23,000	–	23,000
Share issued, at fair value	–	45,600	45,600
	27,000	45,600	72,600
Net cash inflow arising on acquisition			
Consideration paid in cash	(4,000)	–	(4,000)
Cash and cash equivalent balances acquired	3,809	3,933	7,742
	(191)	3,933	3,742

IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Included in the loss for the twelve months ended 30 September 2013 are approximately HK\$206,000 and HK\$1,904,000 attributable to the acquisitions of the Jet Rich Group and the Icy Snow Group respectively. Revenue for the twelve months ended 30 September 2013 are approximately HK\$Nil and HK\$15,317,000 attributable to the acquisitions of the Jet Rich Group and the Icy Snow Group respectively.

Had the acquisitions of the Jet Rich Group and the Icy Snow Group been completed at the beginning of the twelve months ended 30 September 2013, the total amount of loss of the Group for the twelve months ended 30 September 2013 would have been HK\$27,598,000 and the amount of revenue for the twelve months ended 30 September 2013 from continuing operations would have been HK\$93,846,000.

The unaudited pro-forma financial information set out above is for illustrative purposes only on the effects of the acquisitions of the Icy Snow Group and the Jet Rich Group as if the acquisitions of the Icy Snow Group and the Jet Rich Group had been completed at the beginning of the twelve months ended 30 September 2013. The unaudited pro-forma financial information set out above is not necessarily an indication of revenue and results of operations of the Group nor is it intended to be a projection of future results.

15. SHARE CAPITAL

		Number of Shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)
Authorised:			
Ordinary Shares of HK\$0.10 each			
As at 30 September 2012		2,000,000	200,000
Ordinary Shares of HK\$0.50 each			
Share Consolidation	Note c	(1,600,000)	–
Ordinary Shares of HK\$0.01 each			
Share Subdivision	Note c	19,600,000	–
As at 30 September 2013		20,000,000	200,000
Issued and fully paid:			
Ordinary Shares of HK\$0.10 each			
As at 30 September 2012		1,152,080	115,208
New issue of consideration shares	Note a	190,000	19,000
Shares issued upon conversion of convertible notes	Note b	230,000	23,000
Ordinary Shares of HK\$0.50 each			
Share Consolidation	Note c	(1,257,664)	–
Ordinary Shares of HK\$0.01 each			
Capital Reduction		–	(154,064)
As at 30 September 2013		314,416	3,144

Notes:

- (a) On 10 May 2013, the Company completed the Icy Snow Acquisition (please refer to Note 14(a) above). 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 Icy Snow Acquisition for satisfying the consideration of the Icy Snow Acquisition.
- (b) On 5 July 2013, the Company issued convertible notes in the aggregate principal amount of HK\$23,000,000 at the initial conversion price of HK\$0.10 per conversion share as partial consideration for the acquisition of Jet Rich Investment Limited and its subsidiary. The convertible noteholder exercised its conversion right attached to the convertible notes in full on 5 August 2013 and a total of 230,000,000 conversion shares of HK\$0.10 each of the Company at an initial conversion price of HK\$0.10 per conversion share were allotted and issued by the Company to the convertible noteholder on 6 August 2013.

- (c) Pursuant to special resolutions passed at the extraordinary general meeting of the Company on 19 August 2013 in relation to the Capital Reorganisation, among other things:
- (i) the entire amount standing to the credit of the share premium account of the Company was cancelled and transferred to an account of the Company designated as the contributed surplus account of the Company on 19 August 2013;
 - (ii) on 19 September 2013, the Company had undergone the Capital Reorganisation in the following manner:
 - (1) every 5 existing shares of HK\$0.10 each of the Company were consolidated into 1 share of HK\$0.50 ("Consolidated Share") ("Share Consolidation");
 - (2) the issued share capital of the Company was reduced through a cancellation of the 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 was reduced from HK\$0.50 into HK\$0.01 ("Capital Reduction"); and
 - (3) each of the authorized but unissued Consolidated Shares of HK\$0.50 each was sub-divided into 50 new shares of HK\$0.01 each ("Share Subdivision").

Details of the Capital Reorganisation were set out in the circular of the Company dated 26 July 2013 and the announcements of the Company dated 5 July 2013, 19 July 2013, 13 August 2013, 19 August 2013 and 29 August 2013.

16. OPERATING LEASE COMMITMENTS

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises, warehouses and staff quarters which fall due as follows:

	30 September 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
Within one year	2,219	1,319
In the second to fifth year inclusive	2,292	130
	4,511	1,449

Leases are negotiated and rentals are fixed for terms of 1 year to 4 years (30 September 2012: 1 year to 3 years).

17. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to secure banking facilities:

	30 September 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
Property, plant and equipment	5,076	5,945
Prepaid lease payments	5,823	4,678
Held-for-trading investments	40,171	66,713
Cash held in margin accounts with stock brokers included in "Prepayments and other receivables"	3,879	386
	54,949	77,722

18. RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Transactions with related parties

Details of the transactions with related parties during the year:

On 15 November 2010, the Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office premises for 3 years. Under the tenancy agreement, the Company shared 50% of the rent on a cost basis. The Company ceased to rent such premises on 4 July 2013.

The Company confirms that the joint tenancy agreement as disclosed above falls under the definition of continuing connected transactions in Chapter 20 of the GEM Listing Rules and that it should be exempted from reporting, annual review, announcement and independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

(b) Compensation of key management personnel

The remuneration of the Directors and other key members of the management during the period was as follows:

	Three months ended 30 September		Twelve months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000
Short-term benefits	856	285	2,167	2,046

The remuneration of the Directors and key executives is determined by the remuneration committee of the Board with regard to the individual performance and market trends.

19. 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, has committed serious misconduct. As a result, the SFDA has directed Zhenjiang 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. Loss on disposal of its investment in ZS capsules approximately HK\$318,000 was recognized and completed on 7 June 2013.

The major classes of assets and liabilities of ZS Capsules classified as held for sales are as at 30 September 2012 as follows:

	HK'000
	ZS Capsules
	(Audited)
Property, plant and equipment	13,148
Prepaid lease payments	2,339
Inventories	342
Trade receivables	12,587
Deposits, prepayments and other receivables	4,445
Tax recoverable	35
Cash and bank balance	256
Total assets classified as held for sale	33,152
Trade payables	(4,787)
Other payables and accruals	(9,584)
Bank borrowings	(2,812)
Amount due to a minority shareholder	(614)
Other unsecured loans	(7,106)
Total liabilities associates with assets classified as held for sale	24,903
Net assets classified as held for sale	8,249
Less: Impairment	(7,431)
Assets held for sale	818

- (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 directly 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 of synthetic rubber business. Immediately after completion, Sinogate and its subsidiaries ceased to be subsidiaries of the Company. The Company recognized and recorded the gain on disposal of approximately HK\$27 million as other gains and losses in connection with such disposal.

During the twelve months ended 30 September 2013, profit for the period from discontinued operation was mainly attributable to the gain arising from the business of trading 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 (unaudited)

	Three months ended 30 September		2013	Twelve months ended 30 September		2013
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
	ZS Capsules	Sinogate	Total	ZS Capsules	Sinogate	Total
Turnover	-	-	-	-	120,437	120,437
Expenses	-	-	-	-	(119,701)	(119,701)
Profit before tax	-	-	-	-	736	736
Income tax expenses	-	-	-	-	(119)	(119)
Profit for the period from discontinued operation	-	-	-	-	617	617
Gain on disposal of Sinogate (Note 19c)	-	-	-	-	27,391	27,391
	-	-	-	-	28,008	28,008

	Three months ended 30 September		2012	Twelve months ended 30 September		2012
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
	ZS Capsules	Sinogate	Total	ZS Capsules	Sinogate	Total
Turnover	1,052	33,385	34,437	9,870	33,385	43,255
Expenses	(7,400)	(33,377)	(40,777)	(17,789)	(33,377)	(51,166)
Profit/(loss) before tax	(6,348)	8	(6,340)	(7,919)	8	(7,911)
Income tax expenses	-	-	-	-	-	-
Profit/(loss) for the period from discontinued operation	(6,348)	8	(6,340)	(7,919)	8	(7,911)

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- (c) Gain on disposal of subsidiaries and loss on disposal of assets held for sale
For the period ended 30 September 2013

	HK\$'000 Sinogate (Unaudited)	HK\$'000 ZS Capsules (Unaudited)	HK\$'000 Total (Unaudited)
Assets held for sale	–	818	818
Trade deposit paid in advance	23,261	–	23,261
Cash and bank balance	532	–	532
Other unsecured loan	(15,000)	–	(15,000)
Trade and other payables	(460)	–	(460)
Tax payable	(119)	–	(119)
Receipt in advance	(7,605)	–	(7,605)
Net assets disposed of	609	818	1,427
Gain on disposal of Subsidiaries (<i>Note 19b</i>)	27,391	–	27,391
Loss on disposal of asset held for sales (<i>Note 19a</i>)	–	(318)	(318)
Cash and total consideration received	28,000	500	28,500

20. EVENTS AFTER THE END OF REPORTING PERIOD

- (a) On 11 October 2013, Allied View International Limited (“Allied View”), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement (the “JV Agreement”) with various joint venture partners for the establishment of a joint venture company in the British Virgin Islands (“JV Company”), which will further set up a company with limited liability in Hong Kong (“HK Company”) and, through the HK Company, a wholly foreign-owned enterprise (“WFOE”) with limited liability in the PRC. It is the intention of Allied View and the joint venture partners (collectively, the “JV Parties”) that the JV Company will carry out, indirectly through the WFOE, the money lending business in the PRC subject to compliance with the relevant legal/regulatory requirements.

The JV Parties have conditionally agreed to subscribe for an aggregate of 20,000 shares of the JV Company by a total capital contribution of HK\$378,000,000 subject to the terms and conditions of the JV Agreement. Subject to the satisfaction and fulfillment of different sets of conditions precedent as stated in the JV Agreement (respectively, the “First Closing Conditions” and the “Second Closing Conditions”), the capital contribution shall be made in cash in two stages. The first capital contribution shall be in a total amount of HK\$37,800,000, of which HK\$2,898,000 shall be contributed by Allied View. Upon completion of the first capital contribution, the JV Company shall be owned as to 7.67% by Allied View in proportion to its capital contribution. The second capital contribution should be in a total amount of HK\$340,200,000, of which HK\$26,082,000 shall be contributed by Allied View. After completion of the second capital contribution, Allied View shall own 7.67% of the JV Company.

Champion Ease Limited (“Champion Ease”), one of the joint venture partners to the JV Agreement, shall be assigned with the responsibility to assist the JV Company and the HK Company to obtain the relevant licence(s) and permit(s) from the relevant PRC government authority for the WFOE to conduct the money lending business in the PRC. Accordingly, the JV Company will allot and issue 5,000 new shares of the JV Company to Champion Ease as consideration of the agency service provided by Champion Ease to the JV Company pursuant to the terms and conditions of the JV Agreement. Upon the allotment and issue of Consideration Shares, the JV Company will be owned as to 6.136% by Allied View.

Details of the transaction are set out in the Company’s announcements dated 11 October 2013 and 17 October 2013.

- (b) On 1 November 2013, Dynasty Well Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to purchase the entire issued share capital of Kingston Group Holdings Limited and its subsidiaries at an aggregate consideration of HK\$3,000,000.

On 8 November 2013, such acquisition was completed and the Group made payment of HK\$3,000,000 to the vendor. Details of the transaction are set out in the Company’s announcement dated 1 November 2013.

21. COMPARATIVE FIGURES

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

BUSINESS REVIEW

During the twelve months period ended 30 September 2013 (the “2013 Period”), there were some changes in the mix of the Group’s major business.

In light of the current growing pharmaceutical industry in the PRC, the Group has decided to strengthen the core business operation by disposal of its trading business of synthetic rubber, which was completed on 14 May 2013. The Group generated sales proceeds of approximately HK\$28 million to strengthen the internal resource for future investments.

During the 2013 Period, the Group has embarked on a number of collaborative and acquisition projects in relation to the pharmaceutical and healthcare products business to further expand and diversify the Group’s business scope so as to enhance the profitability of the Group in the future.

On 29 September 2013, the Group has established a wholly foreign-owned enterprise in Guizhou, the PRC pursuant to the cooperation agreement dated 15 May 2013 entered with 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) in relation the cooperation (“Guizhou Cooperation”) in investment and construction of a pharmaceutical factory in Hong Hua Gang Economic Development District, Guizhou Province, the PRC. The Guizhou Cooperation offers the Group an opportunity to expand its business into the field of the manufacture of pharmaceutical and healthcare products.

On 16 September 2013, the Group and the prospective sellers entered into the memorandum of understanding in respect of the proposed acquisition of the entire interest of 貴陽舒美達製藥廠有限公司 (in English, for identification purpose, Guiyang Shu Mei Da Pharmaceutical Co., Ltd.), which is principally engaged in the manufacture and sales of proprietary Chinese medicine products and healthcare products in the PRC. Details of the possible acquisition were disclosed by the Company in its announcement dated 16 September 2013. The Group continues to look for potential opportunities to diversify the Group’s self-owned brand name products.

On 6 September 2013, the Group and 福安藥業（集團）股份有限公司 (in English, for identification purpose only, Fuan Pharmaceutical (Group), Ltd.) (“Fuan Pharmaceutical”) (a company incorporated in the PRC with limited liability, whose shares are listed in Shenzhen Stock Exchange (stock code: 300194)) entered into a subscription agreement, pursuant to which Fuan Pharmaceutical has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 15,720,800 Shares at the subscription price of HK\$0.4968 per subscription Share.

As at the date of this report, Fuan Pharmaceutical is still in the process of obtaining the approvals to subscribe the Company's shares from the PRC government. Details of such subscription were disclosed in the announcements of the Company dated 6 September 2013 and 16 September 2013.

FUTURE PROSPECTS

In view of the end of high growth phase of economy and the potential slow economic growth coupled with upward pressure on wages in the PRC, the consumer goods business in the PRC is expected to face challenges. The Group will focus on its core business, which is the expansion of its distribution channel and the manufacture of pharmaceutical and healthcare products in Hong Kong and the PRC, to strive to enhance the profits of the Group in this challenging environment.

The Group will continue to focus on the business model of "asset minimization, and focus on operation and full services". During the 2013 Period, the Group has acquired the Icy Snow Group, which is principally engaged in wholesale of proprietary Chinese medicines, antibiotics and biochemical drugs. The wholesales team of the Group will continue to looking for potential healthcare products with better profit margin to increase the future turnover of the Group.

The Group believes that the new acquisition and cooperation projects during the 2013 Period including Guizhou Cooperation, acquisitions of the Jet Rich Group and the Icy Snow Group, will diversify the Group's business and broaden the Group's income stream.

The Group also keeps looking for opportunities to diversify the business scope so as to further raise the profits. On 11 October 2013, the wholly-owned subsidiary of the Company, Allied View, entered into a JV agreement.

The Group believes that money lending business has great business potential in the PRC and considers that the entering into of the JV agreement will allow the Group to invest and explore the money lending business in the PRC. Furthermore, through the JV agreement, the Group will be able to tap into opportunities with a view to bringing greater returns to the shareholders of the Company ("Shareholders"). Details of the JV agreement were disclosed in the announcements of the Company dated 11 October 2013 and 17 October 2013.

With the implementation and reconstruction of the Group's business model, expansion of productivity capacity and distribution channel, the Group is optimistic about the outlook for operations. The Group will continue to look for potential investment opportunities including expansion of the pharmaceutical and healthcare product categories, and other business in the future that enhance profitability of the Group and further strengthen cost and operation control to create higher value of return for the Shareholders.

FINANCIAL REVIEW

Turnover

For the twelve months period ended 30 September 2013 (the "2013 Period"), the continuing operation achieved a turnover of approximately HK\$81,449,000, mainly attributable to the traditional consumer cosmetics products business, which recorded sales of approximately HK\$41,934,000. The Group recorded increase in turnover by approximately 32.94% as compared with the turnover of the corresponding period in 2012. The newly acquired business generated the revenue of approximately HK\$15,317,000 during the 2013 Period.

Sales in consumer cosmetics products business increased by approximately 5.79% as compared with that of the corresponding period in 2012, which was mainly due to (i) the expansion of the distribution channel by engaging more distributors and (ii) the continuing adoption of price cutting strategy.

Gross profit

For the 2013 Period, the Group's gross profit from the continuing operations was approximately HK\$34,600,000, representing a decrease of approximately 9.96% as compared with the gross profit of the corresponding period in 2012.

The decrease in the gross profit during the 2013 Period was due to an increase in labour costs and raw material costs. The price cutting strategies of the Group also led to an increase in the sales volume but a decrease in the gross profit margin.

Administrative expenses

For the 2013 Period, the administrative expenses was approximately HK\$22,459,000, representing a decrease of approximately HK\$1,898,000 or 7.79 % as compared with that of approximately HK\$24,357,000 of the corresponding period in 2012. The decrease in the administrative expenses for the 2013 Period was due to the cost saving strategies.

Selling and distribution expenses

For the 2013 Period, the selling and distribution expenses of the continuing operations was approximately HK\$29,117,000, representing an increase of approximately HK\$5,313,000 or 22.32 % compared with the expenses of the corresponding period in 2012. The newly acquired business attributed of approximately HK\$4,616,000 to the selling and distribution expenses during the 2013 Period.

Results for the period

During the 2013 Period, the economy in the PRC was still under pressure. The domestic consumer business was going through difficulties as a result of the inflation and the increase of labor cost. Although the Group has already taken various cost control measure, unsatisfactory financial assets investments led the Group to suffer net losses from the continuing operations of approximately HK\$43,553,000 for the 2013 Period (2012: HK\$14,867,000). The Group recognized the net loss in trading financial assets at fair value through profit or loss amounting to approximately HK\$23,897,000 for the 2013 Period (2012: HK\$4,105,000). The net loss in trading financial asset at fair value through profit or loss recorded as other gain and losses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the Group had cash and bank balance of approximately HK\$46,565,000 and HK\$38,277,000 respectively. The increase of the Group's cash level was mainly due to the sales proceeds of approximately HK\$28 million generated from the disposal of Sinogate Energy Limited.

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30 September 2013, the Group had bank borrowings of approximately HK\$28,830,000 (2012: approximately HK\$12,228,000).

The gearing ratio (defined as total borrowings (including amount due to a non-controlling Shareholder) to total assets) of the Group as at 30 September 2013 and 2012 were approximately 10.88% and 6.40% respectively.

Capital commitments

The Group did not have any capital commitment as at 30 September 2013 and 2012.

Operating lease commitments

Details of operating lease commitments are stated in Note 16 to the unaudited consolidated financial statements of the Company.

OTHER INFORMATION

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

As at 30 September 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 ("SFO")) which require notification to the Company and the Stock Exchange pursuant to Division 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 recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are required, pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 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 of Director	Capacity	Number of ordinary shares	Position	Approximate percentage of the total issued shares
Director				
Cheung Hung	Beneficial owners and family interest	1,000,000 (<i>Note</i>)	Long	0.318%

Note:

As at 30 September 2013, the total number of the issued share of the Company was 314,416,000 ordinary shares of HK\$0.01 each of the Company ("Shares").

Save as disclosed above, none of the Directors nor the chief executives of the Company had, as at 30 September 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 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 of the Company is taken or deemed to have under such provision of SFO), or which are recorded in the register required to be kept by the Company pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing rules, to be notified to the Company and the Stock Exchange.

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

As at 30 September 2013, the following persons or entities (other than a Director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name	No. of shares of the Company held	Approximately percentage
Best Pharmaceutical Limited (<i>Notes 1 and 2</i>)	46,000,000	14.63%
Town Health Pharmaceutical Limited (<i>Notes 1 and 2</i>)	46,000,000	14.63%
Town Health (BVI) Limited (<i>Notes 1 and 2</i>)	46,000,000	14.63%
Town Health International Investments Limited (<i>Notes 1 and 2</i>)	46,000,000	14.63%
Lo Lai Kuen	20,000,000	6.36%
福安藥業(集團)股份有限公司 (In English for identification purpose only, Fuan Pharmaceutical (Group) Ltd.) (<i>Note 3 and 4</i>)	15,720,800	5.00%
Wang Tianxiang (<i>Note 3 and 4</i>)	15,720,800	5.00%

Notes:

- Best Pharmaceutical Limited is the beneficial owner of 46,000,000 shares, representing approximately 14.63% of the issued share capital of the Company.
- Best Pharmaceutical Limited is a company owned as to 48% by Town Health Pharmaceutical Limited. Town Health Pharmaceutical Limited is wholly owned by Town Health (BVI) Limited, which in return is wholly owned by Town Health International Investments Limited. Town Health Pharmaceutical Limited, Town Health (BVI) Limited and Town Health International Investments Limited are deemed to be interested in the Shares held by Best Pharmaceutical Limited.
- Fuan Pharmaceutical (Group) Ltd. is the beneficial owner of 15,720,800 Shares, representing approximately 5.00% of the issued share capital of the Company.
- Fuan Pharmaceutical (Group) Ltd. is a company owned as to 46.12% by Wang Tianxiang. Wang Tianxiang is deemed to be interested in the Shares held by Fuan Pharmaceutical (Group) Ltd..

Save as disclosed above, no person or entity had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 30 September 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 twelve months ended 30 September 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 twelve months ended 30 September 2013 were as follows:

Name of category of participant	Date of Grant	Held at 1.10.2012	Option number				Held at 30.09.2013	Exercise price	Exercise period
			Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period			
Director Cheung Hung	9 April 2010	1,000,000	-	-	-	-	1,000,000	1.775	9.4.2010 to 8.4.2020
Employees and service providers	9 April 2010	9,000,000	-	-	-	-	9,000,000	1.775	9.4.2010 to 8.4.2020
Subtotal		10,000,000	-	-	-	-	10,000,000		
Employees and service providers (in aggregate)	22 March 2012	14,000,000	-	-	-	-	14,000,000	1.000	22.3.2012 to 21.3.2015
Total		24,000,000	-	-	-	-	24,000,000		

Note:

Following the Capital Reorganisation becoming effective on 29 August 2013, the number of the Shares granted on 9 April 2010 to be issued upon exercise of the share options under the Scheme was adjusted from 50,000,000 to 10,000,000 and the exercise price per Share was adjusted from HK\$0.355 to HK\$1.775. The number of the Shares granted on 22 March 2012 to be issued upon exercise of the share options under the Scheme was adjusted from 70,000,000 to 14,000,000 and the exercise price per Share was adjusted from HK\$0.200 into HK\$1.000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

(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

- (i) On 10 May 2013, the Company completed the Icy Snow Acquisition. Please refer to Note 14(a) to the unaudited consolidated financial statements of the Company for the twelve months ended 30 September 2013 for details.
- (ii) On 26 July 2013, the Group also completed the acquisition of the entire issued share capital of Jet Rich Investment Limited and all the shareholder's loan owing by Jet Rich Investment Limited and its subsidiaries to the vendor at an aggregate consideration of HK\$27,000,000. Please refer to Note 14(b) to the unaudited consolidated financial statements of the Company for the twelve months ended 30 September 2013 for details.

Apart from the disposal and acquisition of subsidiaries as disclosed above, the Group had no material acquisition or disposal during the period under review.

EMPLOYEE'S REMUNERATION

As at 30 September 2013, the Group, directly and indirectly, had approximately 423 employees (2012:626 employees) which are mainly located in the PRC. Total staff costs for the year ended 30 September 2013 was approximately HK\$14 million (2012: approximately HK\$9 million).

The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training and a share option scheme.

The employees of the subsidiaries of the Company are members of retirement benefits scheme according to the statutory requirements. The relevant subsidiaries of the Company are required to make contributions to the defined contribution pension scheme based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations.

In addition, pursuant to regulations stipulated by the PRC government, the PRC subsidiary of the Company started a defined contribution health care scheme. The employees currently under the defined contribution pension scheme are entitled to the health care scheme. Under this scheme, the PRC subsidiary and the relevant employees have to contribute certain percentage of the employees' salaries to the scheme.

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 the bye-laws of the Company or the laws of Bermuda, 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 twelve months ended 30 September 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 the Directors during the twelve months ended 30 September 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Under Code Provision A.4.1, 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 bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to serve the purpose of this Code Provisions.

AUDIT COMMITTEE

The Board 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 Kwok Shun Tim, Mr. Yeung Chi Tit and Mr. Leung Ka Fai.

The unaudited condensed consolidated results of the Group for the twelve months ended 30 September 2013 have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this report, the Company have maintained the prescribed public float under the GEM Listing Rules.

By order of the Board, I would like to take this opportunity to express my sincere gratitude to all the Shareholders for their support to the Company.

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

Hong Kong, 12 November 2013

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