Stock Code: 8037

Longlife Group Holdings Limited

朗力福集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2008

Healthy life
happy life

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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 GEM 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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

Executive Directors
Mr. Zheng Lixin (Chairman and Chief Executive Officer)
(Appointed on 31 October 2007)
Mr. Yang Shun Feng
Mr. Zhang San Lin
Mr. Yao Feng (Resigned as Chairman and
Chief Executive Officer on 31 October 2007)
Dr. Seet Lip Chai (Appointed on 31 October 2007)
Mr. Sha Hai Bo (Resigned on 1 June 2008)

Non-executive Director
Mr. Lo Wing Yat, Kelvin

Independent Non-executive Directors and Audit Committee
Mr. Yu Jie
Mr. Chong Cha Hwa (Appointed on 3 December 2007)
Dr. Yu Hong (Appointed on 1 April 2008)
Mr. Yin Jing Le (Resigned on 1 April 2008)
Mr. Luk Yu King, James
(Resigned on 30 November 2007)

Remuneration Committee
Mr. Yu Jie
Mr. Yang Shun Feng
Mr. Chong Cha Hwa (Appointed on 3 December 2007)
Dr. Yu Hong (Appointed on 1 April 2008)
Mr. Sha Hai Bo (Resigned on 1 June 2008)
Mr. Yin Jing Le (Resigned on 1 April 2008)
Mr. Luk Yu King, James
(Resigned on 30 November 2007)

Compliance Officer
Mr. Yao Feng

Company Secretary and Qualified Accountant
Ms. Leung Suk Yee (Appointed on 1 March 2008)
Ms. Cheung Woon Yiu (Resigned on 7 December 2007)

Hong Kong Legal Advisers
Chiu & Partners Solicitors

Auditors
SHINEWING (HK) CPA Limited
Certified Public Accountants

Registered Office
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head Office and Principal Place of Business in Hong Kong
Suites 06–12, 33/F.
Shui On Centre
Nos. 6–8 Harbour Road
Wanchai, Hong Kong

Principal Bankers
The Agriculture Bank of China
China Construction Bank
China CITIC Bank
CITIC Ka Wah Bank Limited

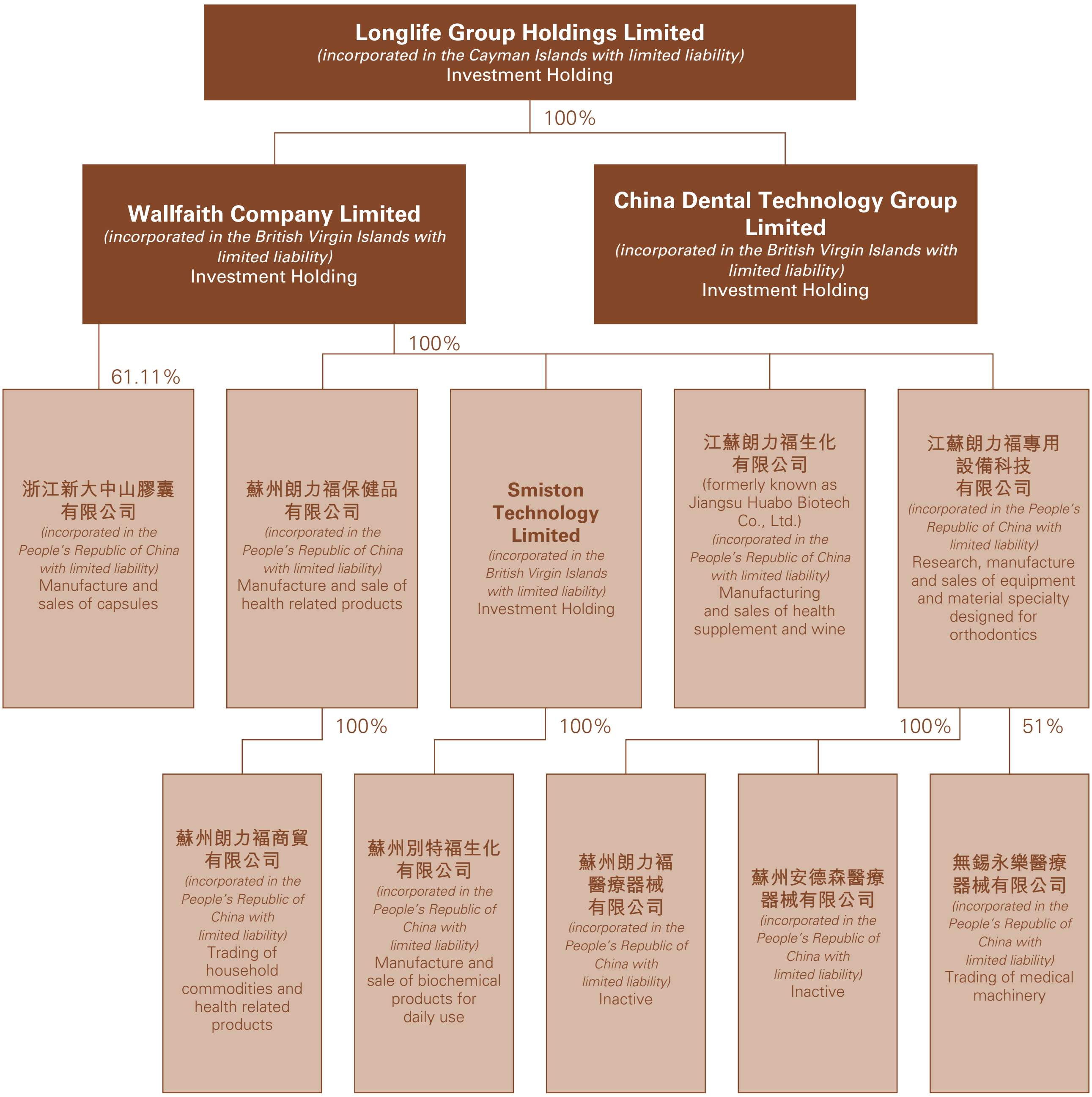
Principal Share Registrar and Transfer Office
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Island

Hong Kong Branch Share Registrar and Transfer Office
Union Registrars Limited
Rooms 1901–02
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

Website
www.longlifechina.com

Group Structure

As at 30 September 2008, the corporate structure and main activities of the principal members of the Group are shown below:



Chairman's Statement

On behalf of Longlife Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results of the Group for the year ended 30 September 2008 to the shareholders.

In 2008, the Group has extensively restructured its consumable business and launched its dental business. However, the rising pressure of the Group's operating costs remained during the transformation of its consumable business model. Operation loss was recorded due to substantial sales costs and one-off compensation for laying off the sales forces in some cities. Our dental business has not yet contributed any profit since it is still at investment stage. Through our efforts in 2008, the Group has restrained the upward trend of operating loss arising from excessive distribution and labour costs. To improve our profitability in 2009, the Group has established extensive internal and external networks for its dental business.

Business Review

2008 was a difficult year for the People's Republic of China (the "PRC") and the whole world. The management is pleased with the strategic moves and business restructuring initiated by the Group at the beginning of the year which have been in line with its expectation. The strategy of "streamlining and strengthening our consumable business, entering the emerging health care industry, engaging staff of high calibre and adopting effective management system" has been executed and the results were satisfactory. In light of the implementation of the new labour law in the PRC and the unfavourable economic conditions resulted from the soaring oil prices, the Group gradually adjusted its direct sales strategies by replacing its nationwide sales network by professional distributors. The Group closed down 2,899 inefficient points of sales and laid off approximately 3,860 under-performed sales staff. Meanwhile, the Group also endeavoured to maintain its market share. Accordingly, the Group modified its business model from "direct sales" to "distribution" in certain regions and delegated the sales business of the Group's products to local dealers and distributors. The modification enabled the Group to maintain its local sales system, distribution channels and market shares. It also reduced the Group's exposures to a great extent and enhanced its operating efficiency. As such, a solid foundation for cost control can be laid in 2009.

Mired in the global financial turmoil, the Group failed to complete its fund raising as scheduled this year, which led to a scale down of its investment in dental business. Yet, even with limited resources, the Group managed to accomplish its toothpaste production plan, carry on the construction of the orthodontic plant, complete the acquisition of controlling interests in Wuxi Yongle Medical Devices Co., Ltd. and conclude several dealerships for dental products in Japan, Taiwan and Israel. At the same time, the Group expanded dental devices trading business to Suzhou, Wuxi, Changzhou and Lianyungang with the inclusion of the sales of dental devices in the distribution network of its consumable business. Development of the national medical device distribution network is scheduled to be completed by 2009. By incorporating other existing sales networks of the Group in over 60 cities, the Group will establish a national dental business distribution network with local business platforms and management systems. Such network will be one of the largest dental equipment and material distribution networks in the PRC. The formation of this network will mark a transformation for the unsystematic and inefficient dental equipments and instruments distribution sector in the PRC. The national, sizable and modern distribution platform will provide convenient and speedy business services for approximately 200,000 dentists in the PRC.

Future Prospects

In 2009, the Group will proactively develop our consumable and dental businesses so as to achieve turnaround.

Summarising the operations in 2008, the directors of the Company (the "Director(s)") consider that the strategic change of the consumable and dental businesses made by the Group was appropriate. The Group will continue to expand distribution and dealership. Leveraging on its extensive channel, the Group aims at developing its sales network into an integrated distribution platform for multi-brand consumables and medical products. It will also endeavour to implement modern distribution strategies, which require less capital investment and are characterised by strengthened operation and all-round services. Internally, the Group will continue to promote profit responsibility system for streamlined work force and higher efficiency. Investment will be made in the dental business and management quality will be enhanced to achieve turnaround in the year. It will also capitalise on quality opportunities in the dental industry and become one of the most competitive enterprises in the dental industry in the PRC.

I would like to thank the board of directors and the shareholders for their support to and confidence in the Company over the years and would also like to extend my sincere gratitude to all staff, management and business partners for their endeavours.

Mr. Zheng Lixin
Chairman

Hong Kong, 19 December 2008

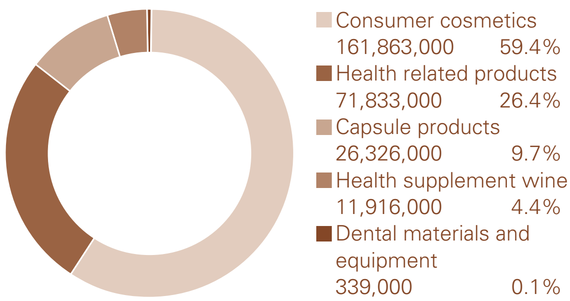
Management Discussion and Analysis

(A) Business Review

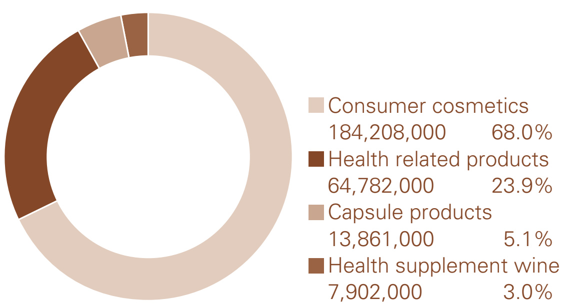
Revenue

Sales for the year ended 30 September 2008 was approximately RMB247,772,000 (equivalent to approximately HK$272,277,000), while that for the year ended 30 September 2007 was approximately RMB268,553,000 (equivalent to approximately HK$270,753,000), representing a decrease of approximately RMB20,781,000, or approximately 7.7% over last year in terms of RMB (equivalent to an increase of approximately HK$1,524,000, or approximately 0.6% in terms of HK$). In 2008, the Group changed its market strategy and optimised its sales channels by using professional distributors and closing down under-performed sales points, leading to a drop in sales revenues. However, with the above streamlining and optimisation initiatives, the sales structure of the Group has been greatly improved to face the unfavourable market conditions of weakened purchasing power amid the financial turmoil. Due to the significant appreciation of RMB in 2008, the Group's sales saw a moderate improvement when translated into HK$. The Group's business breakdown is as follows:

Sales and Percentage to Total Sales by Business Segment, 2008 (in HK$)



Sales and Percentage to Total Sales by Business Segment, 2007 (in HK$)



1. Sales of consumer cosmetics, which accrue higher sales cost, decreased to approximately RMB147,295,000 (equivalent to approximately HK$161,863,000), representing a decrease of approximately 19.4% (a decrease of approximately 12.1% in HK$) in 2008 as the Group scaled down the business.

2. Sales of health related products, which has higher profitability, remained at approximately RMB65,368,000 (equivalent to approximately HK$71,833,000), representing a slight increase of approximately 1.7% (an increase of approximately 10.9% in HK$) in 2008. The sales of the Group's health related products were among the top three in major markets such as Shanghai.

3. Sales of capsule products recorded a significant increase of approximately 74.3% (an increase of approximately 89.9% in HK$) to approximately RMB23,957,000 (equivalent to approximately HK$26,326,000) in 2008. The increase was mainly due to successful marketing efforts of the Group to secure new customers during the recovery of the local pharmaceutical industry.

4. Sales of health supplement wine amounted to approximately RMB10,844,000 (equivalent to approximately HK$11,916,000), representing an increase of approximately 38.3% (an increase of approximately 50.8% in HK$) in 2008.

5. The Group's new dental materials and equipment business recorded sales of approximately RMB308,490 (equivalent to approximately HK$339,000, while no sales were recorded for the previous year) for the year. With limited resources, the Group proactively explored the opportunities of its new dental business and realised sales revenue from dental trading activities.

Management Discussion and Analysis

Gross profit

Gross profit for the year ended 30 September 2008 was approximately RMB146,102,000, representing a decrease of approximately RMB25,209,000, or a decline of approximately 14.7%, when compared with the gross profit of approximately RMB171,312,000 for last year. (Gross profit for the year ended 30 September 2008 was approximately HK$160,552,000, representing a decrease of approximately HK$12,163,000, or a decline of approximately 7.0%, when compared with the gross profit of approximately HK$172,715,000 for last year.) Gross margin for the year ended 30 September 2008 was approximately 59.0%, a decrease of approximately 4.8 percentage points when compared with approximately 63.8% for last year. The decrease in gross margin was mainly due to the increased prices of raw materials, higher labour costs and price adjustment of consumer cosmetics under severe competition.

Administrative expenses

Administrative expenses for the year ended 30 September 2008 amounted to approximately RMB29,295,000, representing an increase of approximately RMB2,724,000, or a growth of approximately 10.3%, when compared with approximately RMB26,570,000 for last year. (Administrative expenses for the year ended 30 September 2008 amounted to approximately HK$32,192,000, representing an increase of approximately HK$5,404,000, or a growth of approximately 20.2%, when compared with approximately HK$26,788,000 for last year.) The significant increase in administrative expenses was mainly due to the engagement of various dental experts and experienced managerial staff from multinational corporations.

Selling and distribution expenses

Selling and distribution expenses for the year ended 30 September 2008 amounted to approximately RMB147,161,000, representing a substantial decrease of approximately RMB33,077,000 or a decline of approximately 18.4%, when compared with approximately RMB180,238,000 for last year. (Selling and distribution expenses for the year ended 30 September 2008 amounted to approximately HK$161,715,000, representing a substantial decrease of approximately HK$19,999,000 or a decline of approximately 11.0%, when compared with approximately HK$181,714,000 for last year.) The sharp cut in selling and distribution expenses was a result of the change of business strategy by streamlining the sales network in 2008. The strategy enabled the Group to close down a number of under-performed sales points and temporary sales personnel to reduce the selling expenses. Furthermore, the Group allocated the funds saved to more efficient and advantageous sales points and achieved the operating objectives of streamlined structure and higher efficiency of the consumer business.

Loss

For the year ended 30 September 2008, the Group recorded a loss of approximately RMB34,057,000, a decrease of approximately RMB3,965,000, or a decline of approximately 10.4%, when compared with the loss of approximately RMB38,022,000 for last year. (For the year ended 30 September 2008, the Group recorded a loss of approximately HK$37,425,000, a decrease of approximately HK$908,000, or a decline of approximately 2.4%, when compared with the loss of approximately HK$38,333,000 for last year.) The decisive streamline strategy of the consumer business adopted in 2008 has successfully avoided further deterioration of results in unfavourable market conditions such as the spread of financial turmoil, reduced consuming power, fiercer competitions as well as the surge in costs of labour and raw materials. In addition to the endeavored exploration of new dental business, the Group reduced sales cost by cutting unnecessary expenses. However, due to the one-off compensation for laid-off personnel and the surge in costs of labour and raw materials, the Group still recorded a loss for the year but improvement was made when compared with that of last year. The fine tune of strategy will lay a solid foundation for the long term development of the Group.

Business Review

The Group has streamlined and optimised its consumer business, invested in and expanded into the new dental business, and tackled the problems related to its current business and management in 2008. The Group is now well-prepared for the future development.

At the beginning of 2008, the Group promptly and decisively adopted a strategy to streamline and optimise its consumer business after its management had analysed the competition in the market and the new business environment. The Group analysed and streamlined the whole sales network through closing down under-performed sales points, laying off excessive marketing staff and implementing a sales responsibility policy. These measures effectively consolidated the Group's market share and reduced excessive labour cost and distribution cost. Furthermore, the Group also improved and optimised outstanding sales points and launched more new products. The Group also enhanced its product portfolio and customer base by the use of professional distributors.

The Group expanded into the new dental business in 2008 under the leadership of the Board. For this purpose, the Group established a dental department to conduct a comprehensive research about the dental industry and initially engaged in the dental trading business with its existing sales network. The Group acquired the controlling interests in Wuxi Yongle Medical Devices Co., Ltd., the largest distributor of dental products in Wuxi City, to commence its dental products distribution business in the PRC.

(B) Future Outlook

As the macroeconomic conditions of China will further deteriorate in 2009 and the public will be more cautious in spending, the Group will have advantage for its quality products of competitive prices. The Group will continue to implement its sales responsibility policy, enhance the marketing efforts of its consumer business, control the costs and improve profit margin. It will also further enhance the business model which requires less capital investment and is characterised by strengthened operation and all-round services. Leveraging on its distribution network, the Group will proactively secure product dealership and distributors. The Group will endeavour to develop its dental business into a successful one with the help of its marketing resources of consumer products to generate return and profit in 2009.

In 2009, in order to build up a robust supporting platform for the Group's long term development, it will further intensify its reorganization and reformation by refining its organization, manpower structure and remuneration package as well as sculpturing its corporate culture. Meanwhile, the Group will lead its subsidiaries to operate more efficiently by further strengthening its management and supervision over them and tightening their corporate governance.

The Group believes that years 2008 and 2009 are not only an important period to adjust its strategy and business, but also a vital chance to explore new sales channels and open up new domains for its business. The Directors believe that with full dedication to and firm confidence in creating value for our shareholders, society and our employees, we will achieve our targets by focusing on both internal enhancement and business improvements.

(C) Financial Review

Inventories

The inventories were approximately RMB78,448,000 as at 30 September 2008, a decrease of approximately RMB10,052,000, or a decline of approximately 11.4%, as compared to the inventory of approximately RMB88,500,000 for the corresponding period in 2007. (The inventories were approximately HK$89,044,000 as at 30 September 2008, representing a decrease of approximately HK$2,350,000, or a decline of approximately 2.6%, as compared to the inventory of approximately HK$91,394,000 for the corresponding period in 2007.) The inventories were still high due to the extensive network of the Group's sales offices and sales outlets, which requires a certain level of stock to be maintained at all times to accommodate retail needs and ensure smooth delivery and sales. The decrease in stock turnover was mainly attributable to the shortened storage period through sales plans enhancement and production plan management by the Group.

Management Discussion and Analysis

Liquidity and financial resources

The Group adopts a prudent policy for its financial resources management. The Group had cash and bank balances (less pledged bank deposits) of approximately RMB10,352,000 (equivalent to approximately HK$11,751,000) and approximately RMB10,772,000 (equivalent to approximately HK$11,125,000) respectively as at 30 September 2008 and 2007.

The Group generally finances its operations with internally generated cash flows and banking facilities and has healthy financial position. As at 30 September 2008, the Group had bank borrowings of approximately RMB32,800,000 (equivalent to approximately HK$37,230,000) (2007: approximately RMB26,000,000, equivalent to approximately HK$26,850,000), of which approximately RMB30,100,000 (equivalent to approximately HK$34,165,000) (2007: approximately RMB26,000,000, equivalent to approximately HK$26,850,000) are repayable within one year, and approximately RMB2,700,000 (equivalent to approximately HK$3,065,000) (2007: Nil) are repayable after one year as at 30 September 2008. The Group also had unsecured other borrowings of approximately RMB257,000 (equivalent to approximately HK$292,000) (2007: Nil), which are repayable within one year. The interests of such bank and other borrowings usually accrue at fixed rates.

Details of assets pledged by the Group to secure banking facilities are set out in note 31 to the consolidated financial statements.

The gearing ratio (defined as total borrowings to total assets) of the Group as at 30 September 2008 and 2007 were approximately 18.0% and approximately 12.4% respectively. The increase in the gearing ratio is mainly due to an increase in bank loans employed.

Currency structure

The Group had limited exposure to foreign exchange rate fluctuation as most of its transactions, including borrowings, were mainly conducted in RMB and the exchange rates of these currencies were relatively stable throughout the year 2008 except for the appreciation of RMB during the year.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2008 (2007: Nil).

Capital Commitment

Capital expenditure included those contracted for but not provided in the consolidated financial statements and the respective capital commitments as at 30 September 2008 amounted to approximately RMB6,002,000 (equivalent to approximately HK$6,813,000) (2007: Nil).

(D) Employees' Remuneration

As at 30 September 2008, the Group, directly and indirectly, had 5,721 employees (2007: 9,581). Total staff costs for the year ended 30 September 2008 was approximately RMB93,489,000 (equivalent to approximately HK$102,736,000) (2007: approximately RMB100,288,000, equivalent to approximately HK$101,110,000). The decrease of 6.8% in staff costs of the Group in RMB was mainly due to streamlining of under-performed sales points and sales and marketing staff, which was offset by the one off compensation for lay-off and the increased labour cost due to the implementation of new labour laws.

The Group remunerates its employees based on their performance, experience and the prevailing market level. Performance related bonuses are also granted on a 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 in the PRC participate in a state-managed pension scheme operated by the PRC government.

The relevant subsidiaries are required to make contributions to the defined contribution pension scheme in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to a pension calculated with reference to their basic salaries before retirement and the span of their service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

In addition, pursuant to the regulations stipulated by the PRC government, the PRC subsidiaries started a defined contribution health care scheme with effect from 1 July 2002. All the employees currently under the defined contribution pension scheme are entitled to the health care scheme. Under the scheme, the PRC subsidiaries and the relevant employees have to contribute a certain percentage of the employees' salaries to the scheme respectively.

All remunerations paid to the Directors during the year were based on their respective service contracts except for the non-executive Director.

Details of share option scheme of the Group are set out in note 28 to the consolidated financial statements.

(E) Top-up Placing of Existing Shares and Subscription of New Shares Under General Mandate

On 15 October 2007, the placing agreement was entered into between the vendor (China Medical Device Group Limited), the Company and the placing agent (Goldbond Securities Limited), pursuant to which the placing agent has agreed to place, on a best endeavour basis, up to 33,400,000 placing shares on behalf of the vendor, to independent purchasers. The placing price is HK$0.33 per placing share, exclusive of brokerage, trading fees and transaction levies. The placing and subscription completed on 23 October 2007 and 29 October 2007 respectively.

(F) Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

The Group has no material acquisitions and disposals of subsidiaries and associated companies for the year ended 30 September 2008.

(G) Details of Future Plans for Material Investment or Capital Assets

Save as disclosed above and in this section of "Management Discussion and Analysis", the Directors do not have any future plans for material investment or capital assets.

Management Profile

Executive Directors

Mr. Zheng Lixin (鄭立新) ("Mr. Zheng"), aged 43, is the chairman, chief executive officer and an executive director of the Company. Mr. Zheng holds a Master degree in Business Administration of University of Western Ontario, Canada and a Master degree in Applied Science of University of Toronto, Canada. Prior to joining the Group, Mr. Zheng had worked as senior management positions in global healthcare and pharmaceutical corporations such as GlaxoWellcome Pharmaceuticals Group (UK), Tianjin SmithKline Beecham French Laboratories Limited and Jiangzhong Pharmaceutical Group Company; and in management consulting company such as McKinsey & Company. Mr. Zheng was appointed as the chairman, chief executive officer and executive director of the Company on 31 October 2007.

Mr. Yang Shun Feng (楊順峰) ("Mr. Yang"), aged 34, is an executive director of the Company. Mr. Yang joined the Group in March 1998. He is the general manager of Suzhou Longlifu Health Co., Ltd., one of the subsidiaries of the Company. He graduated from University of Shanghai in 1997 in secretarial and administration studies. Mr. Yang Shun Feng is the son of Mr. Yang Hong Gen and nephew of Mr. Zhang San Lin.

Mr. Zhang San Lin (張三林) ("Mr. Zhang"), aged 46, is an executive director and vice president of the Company, and he is the brother-in-law of Mr. Yang Hong Gen and the uncle of Mr. Yang. Mr. Zhang worked in Shenzhen Wild Animals Company (深圳野生動物商行) with Mr. Yang Hong Gen during the period from 1984 to 1994 and was responsible for sales and marketing. During 1994 to 1996, he worked in a health food trading company. Mr. Zhang joined the Group in April 1996. He is responsible for production management of the Group. He has more than 10 years of experience in management.

Mr. Yao Feng (姚鋒) ("Mr. Yao"), aged 59, is an executive director, vice president and compliance officer of the Company. He graduated from Jiangsu Radio and TV University (江蘇廣播電視大學) in 1986 with a Bachelor degree of Industrial Statistics. He was awarded the Certificate of Accomplishment in Accounting and Finance Refreshment Course by Postgraduate College of the Chinese Academy of Social Science (中國社會科學院研究生院財會知識更新函授研修班研修證書) in 1991. Mr. Yao was the managing director of Suzhou Industrial Park Zhongshan Consultancy Co., Ltd. (蘇州工業園區中山諮詢有限公司) during 1999 to 2002 and was principally responsible for providing corporate strategies and advisory service. He joined the Group in April 2002. Mr. Yao is responsible for the newly established dental business unit of the Group.

Dr. Seet Lip Chai (薛立財) ("Dr. Seet"), aged 65, holds a Bachelor degree of Medicine, Bachelor degree of Surgery and a Diploma in Public Health (with Distinction) from the University of Singapore. He is a Fellow of the Academy of Medicine, Singapore. Dr. Seet had held senior management positions in major global pharmaceutical companies such as Ciba-Geigy, SmithKline Beecham and GlaxoWellcome, both in the Asia Region and in the People's Republic of China, prior to taking up an academic position as Associate Professor in Strategy and Entrepreneurship in Nanyang Technological University, Singapore in 1999. Dr. Seet was the independent non-executive director of Jiwa Bio Pharm Holdings Limited (Stock Code: 2327), a company listed on the Main Board of the Stock Exchange, from September 2005 to August 2008. Besides holding directorships in several private companies, Dr. Seet is presently an independent non-executive director and non-executive chairman of Rockeby Biomed Ltd, a medical diagnostic company listed on the Australian Stock Exchange (RBY.ASX). Dr. Seet was appointed as an executive director of the Company on 31 October 2007.

Management Profile

Non-executive Director

Mr. Lo Wing Yat, Kelvin (盧永逸) ("Mr. Lo"), aged 50, is a non-executive director of the Company. Mr. Lo is a director and chief executive officer of CITIC International Assets Management Limited ("CIAM") and is the executive vice-chairman and chief executive officer of CIAM Group Limited (Stock Code: 378). He is also a director and managing director of CITIC International Financial Holdings Limited ("CIFH"), an executive director of Carico Holdings Limited (Stock Code: 729), a non-executive director of China Fortune Holdings Limited (Stock Code: 110) and a former non-executive director of China Sciences Conservational Power Limited (Stock Code: 351). Mr. Lo joined CIFH as chief group counsel in October 1997 and was appointed as the director in December of the same year. CIFH and CIAM have discloseable interest in the Company under the provision of the Securities and Futures Ordinance.

Prior to joining CIFH, Mr. Lo worked in the Bank of China Hongkong-Macau Regional Office and was a partner of Messrs Kao, Lee & Yip and Messrs Linklaters. During his legal career, Mr. Lo was specialized in banking and project financing primarily in the PRC. Mr. Lo graduated from the University of Hong Kong and obtained his legal qualification in 1984 as a solicitor of the Supreme Court of Hong Kong and subsequently, as a solicitor of the Supreme Court of England and Wales. Mr. Lo was appointed as the non-executive director of the Company on 25 November 2005.

Independent Non-executive Directors

Mr. Yu Jie (俞杰) ("Mr. Yu"), aged 66, is an independent non-executive director of the Company. He worked in China Jiangsu International Economic and Technology Cooperation Company (中國江蘇國際經濟技術合作公司). China Jiangsu International Economic and Technology Cooperation Company is a large state-owned enterprise which principally engages in international project construction, and import and export trading and international labor agency. From 2003, Mr. Yu was appointed as the supervisory board chairman of Nanjing Iron and Steel Joint Company Limited (南京鋼鐵聯合有限公司). Mr. Yu was appointed as an independent non-executive director of the Company on 26 May 2004.

Mr. Chong Cha Hwa (張家華) ("Mr. Chong"), aged 42, is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. Mr. Chong has obtained a degree of bachelor of management with honours from the University of Science, Malaysia. Prior to joining the Group, Mr. Chong has gained more than 14 years of experience in the accounting and finance area servicing private and public listed companies in Hong Kong and the Southern Asia region. He was also the independent non-executive director of China Railway Logistics Limited (Stock Code: 8089), a company listed on GEM of the Stock Exchange from October 2006 to July 2008. Currently, Mr. Chong is the qualified accountant and the company secretary of Shanghai Jiaoda Withub Information Industrial Company Limited (Stock Code: 8205), a company listed on GEM of the Stock Exchange, and the independent non-executive director of Vital BioTech Holdings Limited (Stock Code: 1164), a company listed on Main Board of the Stock Exchange. Mr. Chong was appointed as an independent non-executive director of the Company on 3 December 2007.

Dr. Yu Hong (虞泓) ("Dr. Yu"), aged 45, is an independent non-executive director of the Company. He holds a Post Doctorate degree of Molecular Ecogenetics under the Laboratory of Systematic and Evolutionary Botany and awarded by the Institute of Botany of Chinese Academy of Sciences, a Doctorate degree of Evolutionary Ecology from the Ecology Institute of Yunnan University and a Master degree of Cytogenetics from the Biology Department of Yunnan University. Prior to joining the Group, he has received the Scientific Awards of Yunnan Government in the People's Republic of China. He is the author and co-author of more than 60 papers, patents and abstracts. Dr. Yu is currently a Professor of the Biology Department under the School of Life Science of Yunnan University and a director of the Laboratory of Ecological Genetics of Yunnan University. Dr. Yu was appointed as an independent non-executive director of the Company on 1 April 2008.

Senior Management

Mr. Chen Zhong Wei (陳中瑋) ("Mr. Chen"), aged 35, is the vice president of the Group, responsible for consumer business. Mr. Chen graduated from Shanghai Tourism College (上海旅遊高等專科學校) in 1994 with a Diploma of Hotel Management. He is responsible for the sales development activities of the Group. He has over 3 years of experience in hotel management. Mr. Chen joined the Group in May 1999. Prior to joining the Group, Mr. Chen has worked in Shanghai Waigaoqiao Tourism Company (上海外高橋旅遊公司) principally responsible for tour business. Mr. Chen is the son-in-law of Mr. Yang Hong Gen.

Mr. Wu De Biao (吳德標) ("Mr. Wu"), aged 41, is the vice president of the Group, responsible for human resources management; internal auditing; legal affairs and administration. Mr. Wu received a certificate from Guanghua Executive Program of Beijing University and a Bachelor Degree from Jiangsu Jurong Agriculture College. He is now studying EMBA offered by Northwestern Polytechnic University. Mr. Wu held senior positions in multinational corporations such as Enjoylife China (a subsidiary of Enjoylife U.K.) and Kymco China, and PRC corporations like Guode Holdings (a medical devices producer); CNOTS; and China Aviation Automobiles Corporation prior to joining the Group. Mr. Wu joined the Group in November 2007.

Ms. Leung Suk Yee (梁淑儀) ("Ms. Leung"), aged 32, was appointed as company secretary and qualified accountant of the Company with effect from 1 March 2008. Ms. Leung holds a bachelor of business administration in accounting degree from the City University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants and has over eight years of experience in accounting, auditing and tax consultancy.

Corporate Governance Report

A. Corporate Governance Practices

The Group recognise the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all of its shareholders. The Group is fully committed to doing so. It is with the objectives in mind that the Group has applied such principles and will comply with the individual code provisions.

Throughout the year ended 30 September 2008, the Company has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules, except for the deviations to code provisions A.2.1 and A.4.1 as below. The Board will continue to review regularly and take appropriate actions to comply with the Code.

B. Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 30 September 2008. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 30 September 2008.

C. Board of Directors

As at 30 September 2008, the Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors

Mr. Zheng Lixin (Chairman and Chief Executive Officer)	(Appointed on 31 October 2007)
Mr. Yang Shun Feng	
Mr. Zhang San Lin	
Mr. Yao Feng	(Resigned as Chairman and Chief Executive Officer on 31 October 2007)
Dr. Seet Lip Chai	(Appointed on 31 October 2007)
Mr. Sha Hai Bo	(Resigned on 1 June 2008)

Non-executive Director

Mr. Lo Wing Yat, Kelvin

Independent non-executive Directors

Mr. Yu Jie	
Mr. Chong Cha Hwa	(Appointed on 3 December 2007)
Dr. Yu Hong	(Appointed on 1 April 2008)
Mr. Yin Jing Le	(Resigned on 1 April 2008)
Mr. Luk Yu King, James	(Resigned on 30 November 2007)

The Board's primary responsibilities are to formulate the Company's long-term corporate strategy, oversee the management of the Group, evaluate the performance of the Group and enhance long-term shareholder value. The biographical details of the Directors and the relationship among the members of the Board are set out in the "Management Profile" on pages 10 to 11 of this annual report.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors, non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

During the year, the Board complies at all times with the requirement of the GEM Listing Rules relating to the appointment of at least 3 independent non-executive directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

The Board schedules four meetings a year at approximately quarterly intervals and will be met as necessary. During the year ended 30 September 2008, the Board held 13 meetings, of which 4 were regular meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend. The following table shows the attendance of individual Directors at the meetings held during the year:

Name of Directors		Number of attendance
Executive Directors		
Mr. Zheng Lixin (Chairman and Chief Executive Officer)	(Appointed on 31 October 2007)	11/11
Mr. Yang Shun Feng		12/13
Mr. Zhang San Lin		13/13
Mr. Yao Feng	(Resigned as Chairman and Chief Executive Officer on 31 October 2007)	13/13
Dr. Seet Lip Chai	(Appointed on 31 October 2007)	10/11
Mr. Sha Hai Bo	(Resigned on 1 June 2008)	12/13
Non-executive Director		
Mr. Lo Wing Yat, Kelvin		13/13
Independent non-executive Directors		
Mr. Yu Jie		13/13
Mr. Chong Cha Hwa	(Appointed on 3 December 2007)	9/10
Dr. Yu Hong	(Appointed on 1 April 2008)	3/3
Mr. Yin Jing Le	(Resigned on 1 April 2008)	10/10
Mr. Luk Yu King, James	(Resigned on 30 November 2007)	4/4

Board papers are circulated at least 3 days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

D. Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

For the year ended 30 September 2008, Mr. Yao Feng was the chairman and chief executive officer of the Company from 22 March 2007 to 31 October 2007. And Mr. Zheng Lixin was appointed as the chairman and chief executive officer of the Company on 31 October 2007 who is responsible for managing the Board and the Group's business. The Board considers that Mr. Zheng has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently. The combination of the roles of chairman and chief executive officer can effectively formulate and implement the Group's strategies. The Board also considers that, at its present size, there is no imminent need to segregate the role of chairman and chief executive officer. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of chairman and chief executive officer is necessary.

E. Appointment, Re-election and Removal

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Apart from the executive Directors and independent non-executive Directors, the non-executive Director is not appointed for specific terms. However, the non-executive Director is subject to retirement by rotation in accordance with the Company's articles of association. Accordingly the Company believes that the non-executive Director ought to be committed to representing the long-term interests of the Company's shareholders and the rotation methodology ensures a reasonable proportion of Directors in continuity which is to the best interest of the Company's shareholders.

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election.

F. Nomination of Directors

According to recommended best practices A.4.4 of the Code, the listed issuers are recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the Board considers that may take up by the Board members, therefore, the Company has not established a nomination committee. The Board is responsible for selecting and recommending candidates for directorship, which based on assessment of their professional qualifications and experience and also responsible for determining the independence of each independent non-executive Director. During the year ended 30 September 2008, the Board has assessed the independence of the independent non-executive Directors and selected Mr. Zheng Lixin and Dr. Seet Lip Chai being the executive Directors, Mr. Chong Cha Hwa and Dr. Yu Hong being the independent non-executive Directors.

G. Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 20 December 2005 and adopted the terms of reference in alignment with the provisions as set out in the Code. During the year, Mr. Luk Yu King, James, Mr. Yin Jing Le and Mr. Sha Hai Bo were resigned as member of Remuneration Committee with effect from 30 November 2007, 1 April 2008 and 1 June 2008 respectively. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Yu Jie, Mr. Chong Cha Hwa (appointed on 3 December 2007) and Dr. Yu Hong (appointed on 1 April 2008) and one executive Director, Mr. Yang Shun Feng.

The main responsibilities of the Remuneration Committee are to review and endorse the remuneration policy of the Directors and Senior Management and to make recommendations to the Board for the remuneration of the Directors. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration.

The Remuneration Committee held 3 meetings during the year ended 30 September 2008, in which the remuneration level of Directors and senior management are reviewed and recommended to the Board. The attendance of the members of the Remuneration Committee is as follow:

Name of members	Number of attendance
Mr. Yu Jie	3/3
Mr. Yang Shun Feng	3/3
Mr. Chong Cha Hwa (Appointed on 3 December 2007)	2/3
Dr. Yu Hong (Appointed on 1 April 2008)	0/0
Mr. Sha Hai Bo (Resigned on 1 June 2008)	3/3
Mr. Yin Jing Le (Resigned on 1 April 2008)	3/3
Mr. Luk Yu King, James (Resigned on 30 November 2007)	0/0

H. Internal Control Committee and Compliance Committee

Internal Control Committee

The Company established an internal control committee (the "Internal Control Committee") on 20 December 2005. During the year, Mr. Luk Yu King, James, Ms. Cheung Woon Yiu and Mr. Sha Hai Bo resigned as member of the Internal Control Committee with effect from 30 November 2007, 7 December 2007 and 1 June 2008 respectively. The Internal Control Committee currently comprises Mr. Yao Feng, Mr. Chong Cha Hwa (appointed on 1 March 2008), Mr. Yu Jie (appointed on 1 June 2008) and Mr. Zheng Lixin (appointed on 1 June 2008).

The main responsibilities of the Internal Control Committee are to set up and review the Company's Internal Control procedures and ensure proper and appropriate control in respect of finance, operations and human resources is in place. During the year, 10 meetings had been held.

Compliance Committee

The Company established a compliance committee (the "Compliance Committee") on 16 November 2006. During the year, Mr. Luk Yu King, James and Ms. Cheung Woon Yiu resigned as member of the Compliance Committee with effect from 30 November 2007 and 7 December 2007 respectively. The Compliance Committee currently comprises Mr. Yao Feng, Mr. Yu Jie and Mr. Chong Cha Hwa (appointed on 3 December 2007).

The main responsibilities of the Compliance Committee are to ensure compliance of rules and regulations particularly the GEM Listing Rules and regulations applicable to the Company. During the year, 2 meetings had been held.

I. Auditors' Remuneration

The remuneration in respect of the services provided by the Company's auditors is analysed as follows:

	2008 **HK$'000**	2007 HK$'000
Services rendered		
Audit services	**595**	420
Non-audit services	**–**	–
	595	420

J. 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. During the year, Mr. Luk Yu King, James and Mr. Yin Jing Le resigned as member of Audit33 Committee with effect from 30 November 2007 and 1 April 2008 respectively. The Audit Committee currently comprises three independent non-executive Directors, Mr. Yu Jie, Mr. Chong Cha Hwa (appointed on 3 December 2007) and Dr. Yu Hong (appointed on 1 April 2008). For the year ended 30 September 2008, the Audit Committee met with the external auditors once.

The primary duties of the Audit Committee are to review the Company's annual report and consolidated financial statements, half-yearly report and quarterly reports and to provide advice and comment thereon to the Board. The Audit Committee are also responsible for reviewing and supervising the financial reporting process and internal control of the Group.

A total of 4 meetings were held in the year under review and the individual attendance of members are as follows:

Name of Directors	Number of attendance
Mr. Yu Jie	4/4
Mr. Chong Cha Hwa (Appointed on 3 December 2007)	4/4
Dr. Yu Hong (Appointed on 1 April 2008)	2/2
Mr. Yin Jing Le (Resigned on 1 April 2008)	2/2
Mr. Luk Yu King, James (Resigned on 30 November 2007)	0/0

The Audit Committee reviewed the quarterly, half-yearly and annual consolidated financial statements, including the Group's adopted accounting principles and practices, of internal control systems and financial reporting matters (in conjunction with the external auditors for the full year results). The Audit Committee endorsed the accounting treatments adopted by the Company and, to the best of its ability assured itself that the disclosures of the financial information in this report, complies with the applicable accounting standards and the GEM Listing Rules.

K. Investor Relations and Communication with Shareholders

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.longlifechina.com and meetings with investors and analysts.

L. Internal Control

The Board is responsible for overseeing the Group's internal control systems and to ensure that sound and effective internal control systems are maintained. The Board is responsible for approving and reviewing internal control policies while the day-to-day management of operational risks and implementation of mitigation measures lies with the management.

The Directors had conduct a review of the effectiveness of the system of internal control of the Group during the year ended 30 September 2008. The review covers all material controls, including financial, operational and compliance controls and risk management functions.

During the year ended 30 September 2008, the Internal Control Committee have completed the preliminary review of the internal control system. The Internal Control Committee has identified certain area of weakness, especially in the sales network management. The report (together with recommendations) is due to be reported to the Board for their review and endorsement.

M. Financial Reporting

The Directors acknowledged their responsibility for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is the independent auditors' responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion to the Company's shareholders. The responsibilities of the independent auditors are set out in the independent auditors' report on page 22 of this annual report.

Directors' Report

The Directors present the annual report and audited consolidated financial statements for the year ended 30 September 2008.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 30 September 2008 are set out in the consolidated income statement on page 23.

The Directors did not recommend the payment of a final dividend for the year ended 30 September 2008 (2007: Nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

Directors

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Zheng Lixin (Chairman and Chief Executive Officer)	(Appointed on 31 October 2007)
Mr. Yang Shun Feng	
Mr. Zhang San Lin	
Mr. Yao Feng	(Resigned as Chairman and Chief Executive Officer on 31 October 2007)
Dr. Seet Lip Chai	(Appointed on 31 October 2007)
Mr. Sha Hai Bo	(Resigned on 1 June 2008)

Non-executive Director

Mr. Lo Wing Yat, Kelvin

Independent non-executive Directors

Mr. Yu Jie	
Mr. Chong Cha Hwa	(Appointed on 3 December 2007)
Dr. Yu Hong	(Appointed on 1 April 2008)
Mr. Yin Jing Le	(Resigned on 1 April 2008)
Mr. Luk Yu King, James	(Resigned on 30 November 2007)

In accordance with article 108(A) and 108(B) of the articles of association of the Company, Mr. Yang Shun Feng, Mr. Yao Feng and Mr. Lo Wing Yat, Kelvin shall retire from office as Directors by rotation at the conclusion of the forthcoming annual general meeting. Save and except for Mr. Yang Shun Feng has declined to offer himself for re-election, all the above-mentioned Directors will offer themselves for re-election at the forthcoming annual general meeting.

In addition, Dr. Yu Hong was appointed as independent non-executive Director with effect from 1 April 2008. In accordance with article 112 of the Company's articles of association, Dr. Yu Hong shall hold office until the forthcoming annual general meeting, and being eligible, offer himself for re-election.

Directors' Service Agreements

Each of the Directors has entered into a service contract with the Company except Mr. Lo Wing Yat, Kelvin. However, all of them are subject to retirement by rotation in accordance with the Company's articles of association.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 September 2008, 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 corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provision of the SFO) or which are required pursuant to section 352 of the SFO or which are required, pursuant to 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	% to total issued share capital of the Company
Zheng Lixin (鄭立新)	Through a controlled corporation	135,000,000 (Note)	25.31%
Yang Shun Feng (楊順峰)	Beneficial owner	10,000,000	1.87%
Zhang San Lin (張三林)	Beneficial owner	25,000,000	4.69%
Yao Feng (姚鋒)	Beneficial owner	10,000,000	1.87%

Note: These shares are held by China Medical Device Group Limited, a company wholly-owned by Mr. Zheng Lixin.

Save as disclosed above, none of the Directors nor the chief executives of the Company had, as at 30 September 2008, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director is taken or deemed to have under such provision of the SFO) or which are required pursuant to Section 352 of the SFO, or which are required pursuant to Rule 5.46 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 September 2008, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures" in this report, the following persons had an interest or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly interested in 5% or more of the voting power at general meetings of the Company:

Long position in the ordinary shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	% to total issued share capital of the Company
Yang Hong Gen (楊洪根)	Beneficial owner	145,500,000	27.28%
Bao Xiao Mei (包小妹)	Interest of spouse	145,500,000 (Note 1)	27.28%
China Medical Device Group Limited	Beneficial owner	135,000,000 (Note 2)	25.31%
CITIC International Assets Management Limited	Beneficial owner	31,500,000	5.90%
CITIC International Financial Holdings Limited	Through a controlled corporation	31,500,000 (Note 3)	5.90%
CITIC Group	Through a controlled corporation	31,500,000 (Note 3)	5.90%

Notes:

1. Ms. Bao Xiao Mei is the wife of Mr. Yang Hong Gen. By virtue of the SFO, Ms. Bao Xiao Mei is deemed to be interested in the shares of Mr. Yang Hong Gen.

2. These shares are held by China Medical Device Group Limited, a company wholly-owned by Mr. Zheng Lixin, an executive Director.

3. These shares are held by CITIC International Assets Management Limited, a company 40% owned by CITIC International Financial Holdings Limited and 55% owned by CITIC Group respectively.

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 September 2008.

Share Option Scheme
The details of the share option scheme of the Company are set out in note 28 to the consolidated financial statements.

Directors' Interests in Contracts
Save as those set out in note 35 to the consolidated financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Major Customers and Suppliers
During the year,

(i) the Group's largest customer and five largest customers accounted for 11.53% and 28.55% respectively, of the Group's total sales; and

(ii) the Group's largest supplier and five largest suppliers accounted for 6% and 19% respectively, of the Group's total purchases.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Emoluments of Directors and Five Highest Paid Individuals
Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 15 to the consolidated financial statements.

Financial Summary
A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 57 of this annual report.

Share Capital
Details of the Company's share capital during the year are set out in note 26 to the consolidated financial statements.

Reserves
Details of movements in the reserves of the Group during the year are set out on page 25 in the consolidated statement of changes in equity of this annual report.

Distributable Reserves
As at 30 September 2008, the Company had distributable reserves of approximately HK$4,352,000.

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

Sufficiency of Public Float
Based on the information publicity available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules, throughout the year ended 30 September 2008.

Purchase, Sale or Redemption of Listed Securities of the Company
Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Rights to acquire Company's Securities

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Competing Interests

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

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises of Mr. Yu Jie, Mr. Chong Cha Hwa and Dr. Yu Hong. The Audit Committee has reviewed and discussed with the management and the external auditors financial reporting matters including the annual results for the year ended 30 September 2008.

Independent Non-executive Directors

The Company has received from each of its independent non-executive Directors, namely Mr. Yu Jie, Mr. Chong Cha Hwa and Dr. Yu Hong a confirmation of their independence pursuant to rule 5.09 of the GEM Listing Rules and considers the independent non-executive Directors to be independent.

Emolument Policy

The emolument policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 28 to the consolidated financial statements.

Change of Hong Kong Branch Share Registrar and Transfer Office

The Hong Kong Branch Share Registrar and Transfer Office of the Company were changed from Tricor Investor Services Limited to Union Registrars Limited with effect from 17 November 2008. The details have been set out in the announcement of the Company dated 7 November 2008.

Auditors

SHINEWING (HK) CPA Limited were appointed as the auditors of the Company in succession to Messrs. Deloitte Touche Tohmatsu who resigned from the office with effect from 25 September 2007. The consolidated financial statements for the year ended 30 September 2008 were audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting. Save as disclosed above, there was no change in the Company's auditors during the past three years.

On behalf of the Board

Zheng Lixin
Chairman

Hong Kong, 19 December 2008

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

To the shareholders of Longlife Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Longlife Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 56, which comprise the consolidated balance sheet as at 30 September 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 September 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number : P05044

Hong Kong
19 December 2008

Consolidated Income Statement

for the year ended 30 September 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	8	**272,277**	270,753
Cost of sales		**(111,725)**	(98,038)
Gross profit		**160,552**	172,715
Other income	9	**1,001**	2,160
Administrative expenses		**(32,192)**	(26,788)
Selling and distribution expenses		**(161,715)**	(181,714)
Other expenses		**(768)**	(620)
Finance costs	10	**(2,769)**	(2,002)
Loss before tax	11	**(35,891)**	(36,249)
Income tax expenses	12	**(1,534)**	(2,084)
Loss for the year		**(37,425)**	(38,333)
Attributable to:			
Equity holders of the Company		**(38,187)**	(38,375)
Minority interests		**762**	42
		(37,425)	(38,333)
Loss per share	14		
– Basic		**(7.19 HK cent)**	(7.68 HK cent)

Consolidated Balance Sheet

at 30 September 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Goodwill	16	**5,640**	5,525
Property, plant and equipment	17	**52,513**	50,197
Prepaid lease payments	18	**18,098**	15,236
		76,251	70,958
CURRENT ASSETS			
Prepaid lease payments	18	**620**	517
Inventories	19	**89,044**	91,394
Trade and bills receivables	20	**52,441**	43,356
Prepayments and other receivables		**13,714**	17,598
Tax recoverable		**563**	474
Pledged bank deposits	21	**3,946**	9,615
Bank balances and cash	21	**11,751**	11,125
		172,079	174,079
CURRENT LIABILITIES			
Trade and bills payables	22	**36,805**	33,447
Other payables and accruals		**31,994**	34,552
Bank and other borrowings – due within one year	23	**34,457**	26,850
Amount due to a minority shareholder	24	**3,241**	2,005
Amount due to a shareholder	24	**3,414**	1,498
Amount due to a director	24	**500**	–
Tax payable		**313**	–
		110,724	98,352
NET CURRENT ASSETS		**61,355**	75,727
TOTAL ASSETS LESS CURRENT LIABILITIES		**137,606**	146,685
NON-CURRENT LIABILITY			
Bank and other borrowings – due after one year	23	**3,065**	–
NET ASSETS		**134,541**	146,685
CAPITAL AND RESERVES			
Share capital	26	**53,340**	50,000
Reserves		**73,808**	90,973
Equity attributable to equity holders of the Company		**127,148**	140,973
Minority interests		**7,393**	5,712
		134,541	146,685

The consolidated financial statements on pages 23 to 56 were approved and authorised for issue by the Board of Directors on 19 December 2008 and are signed on its behalf by:

Zheng Lixin
DIRECTOR

Yao Feng
DIRECTOR

Consolidated Statement of Changes in Equity

for the year ended 30 September 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 1)	Statutory surplus reserve fund HK$'000 (Note 2)	Statutory enterprise expansion fund HK$'000 (Note 3)	Exchange reserve HK$'000	Retained profits (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 October 2006	50,000	8,145	22,443	3,098	3,098	6,968	77,816	171,568	5,406	176,974
Exchange difference arising on translation of foreign operations	–	–	–	–	–	7,780	–	7,780	264	8,044
(Loss) profit for the year	–	–	–	–	–	–	(38,375)	(38,375)	42	(38,333)
Total recognised income and expense for the year	–	–	–	–	–	7,780	(38,375)	(30,595)	306	(30,289)
Appropriations	–	–	–	12,381	–	–	(12,381)	–	–	–
At 30 September 2007	50,000	8,145	22,443	15,479	3,098	14,748	27,060	140,973	5,712	146,685
Exchange difference arising on translation of foreign operations	–	–	–	–	–	13,688	–	13,688	589	14,277
(Loss) profit for the year	–	–	–	–	–	–	(38,187)	(38,187)	762	(37,425)
Total recognised income and expense for the year	–	–	–	–	–	13,688	(38,187)	(24,499)	1,351	(23,148)
Issue of shares during the year	3,340	7,682	–	–	–	–	–	11,022	–	11,022
Transaction costs attributable to issue of new shares	–	(348)	–	–	–	–	–	(348)	–	(348)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	330	330
At 30 September 2008	**53,340**	**15,479**	**22,443**	**15,479**	**3,098**	**28,436**	**(11,127)**	**127,148**	**7,393**	**134,541**

Notes:

1. Special reserve represents the difference between the paid-up capital and share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

2. Pursuant to the Articles of Association of certain of the Company's subsidiaries 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 losses, expand the existing operations or convert into additional capital of those PRC subsidiaries.

3. Pursuant to the Articles of Association of certain subsidiaries of the Company in PRC, those subsidiaries can make appropriation of net profit to the statutory enterprise expansion fund on a discretionary basis.

   The statutory enterprise expansion fund can be used to expand the capital of those subsidiaries by means of capitalisation.

Consolidated Cash Flow Statement

for the year ended 30 September 2008

	Note	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(35,891)**	(36,249)
Adjustments for:			
Inventories written off/allowance for obsolete stocks		**7,419**	10,530
Depreciation of property, plant and equipment		**5,351**	4,822
Finance costs		**2,769**	2,002
Amortisation of prepaid lease payments		**603**	515
Trade and other receivables written off / allowance for bad and doubtful debts		**2,402**	688
Interest income		**(289)**	(133)
Loss (gain) on disposal of property, plant and equipment		**226**	(4)
Operating cash flows before movements in working capital		**(17,410)**	(17,829)
Decrease (increase) in inventories		**4,838**	(10,441)
(Increase) decrease in trade and bills receivables		**(6,679)**	12,556
Decrease (increase) in prepayments and other receivables		**4,899**	(1,120)
Increase in trade and bills payables		**449**	5,136
Decrease in other payables and accruals		**(5,418)**	(4,425)
Cash used in operations		**(19,321)**	(16,123)
Income taxes paid		**(1,315)**	(2,547)
Income taxes refunded		**–**	123
NET CASH USED IN OPERATING ACTIVITIES		**(20,636)**	(18,547)
INVESTING ACTIVITIES			
Decrease (increase) in pledged bank deposits		**6,482**	(4,483)
Sale proceeds on disposal of property, plant and equipment		**3,450**	170
Interest received		**289**	133
Purchases of property, plant and equipment		**(6,970)**	(5,582)
Purchases of prepaid lease payments		**(1,189)**	(335)
Acquisition of a subsidiary	27	**(315)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**1,747**	(10,097)
FINANCING ACTIVITIES			
New bank borrowings raised		**43,197**	29,237
Net proceeds from issue of shares		**10,674**	–
Advance from a minority shareholder		**1,066**	1,694
Advance from a director		**500**	–
Advance from a shareholder		**265**	955
Repayment of bank borrowings		**(35,187)**	(24,902)
Interest paid		**(2,769)**	(2,002)
NET CASH FROM FINANCING ACTIVITIES		**17,746**	4,982
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,143)**	(23,662)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**11,125**	28,760
Effect of foreign exchange rate changes		**1,769**	6,027
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**11,751**	11,125

1. General

Longlife Group Holdings Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. The address of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report. The shares of the Company are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 June 2004.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the PRC whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries are HK$.

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 October 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation ("INT") 10	Interim Financial Reporting and Impairment
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions

The principal effects of adoption of these new and revised HKFRSs are as follows:

Amendment to HKAS 1 Presentation of Financial Statements – Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 5 to the financial statements.

Amendments to HKAS 39 and HKFRS 7 Reclassification of Financial Assets

Those amendments permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments to HKAS 39 and HKFRS 7 have had no effect on these financial statements.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") – *Continued*

HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

HK(IFRIC)-INT 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 31 March 2008, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

HK(IFRIC)-INT 11 HKFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. The Group expects that the adoption of this interpretation will not have any significant impact on the Group's financial statements as it is consistent with the Group's current accounting policy.

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

HKFRS (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items[3]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 12	Service Concession Arrangements[4]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[5]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[3]

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 January 2008.
5 Effective for annual periods beginning on or after 1 July 2008.
6 Effective for annual periods beginning on or after 1 October 2008.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") – *Continued*

HK(IFRIC)-INT 11 HKFRS 2 – Group and Treasury Share Transactions – *Continued*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company has commenced considering the potential impact of other new or revised standards, amendments or interpretations, but is not yet in a position to determine whether these new or revised standards, amendments or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries

Subsidiaries are entities that are controlled by the Company, where the Company has the power to govern the financial and operating policies of such entities so as to obtain benefits from their activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies – *Continued*

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. Impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Construction in progress

Construction in progress represents plant and properties under construction and is stated at cost less any recognised impairment losses. This includes cost of construction, plant and equipment and other direct costs. Upon completion of construction, the relevant costs are transferred to appropriate categories of property, plant and equipment when they are ready for their intended use. No depreciation is provided on construction in progress until the asset is completed and put into use upon which depreciation commence to be provided on the same basis as other property, plant and equipment items of the same category.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments. Prepaid lease payments are stated at cost less accumulated amortisation and impairment losses, amortisation is charged to the consolidated income statement on a straight-line basis over the period of the rights.

3. Significant Accounting Policies – *Continued*

Research and development expenditure

Expenditure on research activities is recognised as expense in the year in which it is incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of loans and receivables set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for the debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all of the Group's financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant Accounting Policies – *Continued*

Financial instruments – *Continued*

Financial assets – *Continued*

Impairment of financial assets – *Continued*

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, bank and other borrowings, amount due to a minority shareholder, amount due to a shareholder and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies – *Continued*

Financial instruments – *Continued*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at lower of cost and net realisable value. Cost is calculated using weighted average cost method.

Impairment losses (other than goodwill – see the accounting policies in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable and deductible. The Group's liability for current tax is recognised using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. Significant Accounting Policies – *Continued*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed to customers.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

3. Significant Accounting Policies – *Continued*

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revised its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will affect the depreciation charges in the year in which the estimates change.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty – *Continued*

Impairment of property, plant and equipment

The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceeds its recoverable amount, in accordance with the Group's accounting policy.

The Group tests annually whether property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the net asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates such as the future revenue and discount rates, taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development. The management had reviewed the Group's property, plant and equipment for impairment using cash flow projections and valuation report prepared by an independent professional valuer. No impairment loss was provided for both years.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment was provided during the year.

Allowance for inventories

The management of the Group reviews an ageing analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow-moving items.

Allowance for bad and doubtful debts

Management regularly reviews the recoverability and age of the trade and other receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings as detailed in Note 23, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors of the Company consider the cost of capital and the associated risks and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remained unchanged during the two years ended 30 September 2008 and 2007.

6. Financial Instruments

6a. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, pledged bank deposits, bank balances and cash, trade and bills payables, other payables and accruals, bank and other borrowings and amount due to a minority shareholder, amount due to a shareholder and amount due to a director. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 September 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

As at 30 September 2008, the Group has certain concentration of credit risk as 26% (2007: 26%) of the total trade receivables were due from the Group's top five largest customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's fair value interest-rate risk mainly arises from bank and other borrowings as detailed in Note 23. Bank and other borrowings were issued at fixed rates, exposing the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

Currency risk

Most of the Group's monetary assets and liabilities are denominated in RMB, and the Group conducts its business transactions principally in RMB. The exchange rate risk of the Group is not significant.

6. Financial Instruments – *Continued*

6a. Financial risk management objectives and policies – *Continued*

Liquidity risk

For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents considered adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

The following table details the contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	On demand or within one year HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 30 September 2008					
Financial liabilities					
Trade and bills payables	36,805	–	–	36,805	36,805
Other payables and accruals	31,994	–	–	31,994	31,994
Bank and other borrowings	36,733	–	3,637	40,370	37,522
Amount due to a minority shareholder	3,241	–	–	3,241	3,241
Amount due to a shareholder	3,414	–	–	3,414	3,414
Amount due to a director	500	–	–	500	500
	112,687	–	3,637	116,324	113,476

	On demand or within one year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 30 September 2007			
Financial liabilities			
Trade and bills payables	33,447	33,447	33,447
Other payables and accruals	34,552	34,552	34,552
Bank and other borrowings	29,153	29,153	26,850
Amount due to a minority shareholder	2,005	2,005	2,005
Amount due to a shareholder	1,498	1,498	1,498
	100,655	100,655	98,352

6b. Fair value

The directors consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximate to the corresponding carrying amounts due to their short-term maturities.

6. Financial Instruments – *Continued*

6c. Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Trade and bills receivables	**52,441**	43,356
Other receivables	**7,368**	11,221
Pledged bank deposits	**3,946**	9,615
Bank balances and cash	**11,751**	11,125
	75,506	75,317
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and bills payables	**36,805**	33,447
Other payables and accruals	**31,994**	34,552
Bank and other borrowings	**37,522**	26,850
Amount due to a minority shareholder	**3,241**	2,005
Amount due to a shareholder	**3,414**	1,498
Amount due to a director	**500**	–
	113,476	98,352

7. Segment Information

The Group engaged in the manufacture, research and development and distribution of consumer cosmetic, health related products, capsules products, health supplement wine and dental materials and equipment and operates only in the PRC. In addition, the identifiable assets of the Group are located in the PRC. Accordingly, no analyses by geographical area of operations are provided.

Segment information in respect of business segments is presented as below:

Consolidated income statement

For the year ended 30 September

	Manufacturing and sales of consumer cosmetics		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Manufacturing and sales of dental materials and equipment		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Turnover	**161,863**	184,208	**71,833**	64,782	**26,326**	13,861	**11,916**	7,902	**339**	–	**272,277**	270,753
Segment results	**(24,234)**	(20,152)	**(1,585)**	(7,458)	**3,172**	(18)	**(5,624)**	(2,932)	**(2,356)**	–	**(30,627)**	(30,560)
Other income											**1,001**	2,160
Unallocated corporate expenses											**(3,496)**	(5,847)
Finance costs											**(2,769)**	(2,002)
Loss before tax											**(35,891)**	(36,249)
Income tax expenses											**(1,534)**	(2,084)
Loss for the year											**(37,425)**	(38,333)

7. Segment Information – *Continued*

Other information

	Manufacturing and sales of consumer cosmetics		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Manufacturing and sales of dental materials and equipment		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditures	**123**	137	**192**	564	**1,905**	4,982	**340**	389	**5,599**	–	**–**	–	**8,159**	6,072
Amortisation of prepaid lease payments	**–**	–	**202**	189	**84**	49	**300**	277	**17**	–	**–**	–	**603**	515
Depreciation of property, plant and equipment	**97**	120	**3,094**	3,101	**1,692**	1,238	**449**	359	**3**	–	**16**	4	**5,351**	4,822
Inventories written off/ allowance for obsolete stocks	**4,152**	4,301	**2,763**	4,240	**213**	–	**291**	1,989	**–**	–	**–**	–	**7,419**	10,530
Loss (gain) on disposal of property, plant and equipment	**–**	–	**226**	(18)	**–**	–	**–**	–	**–**	–	**–**	14	**226**	(4)
Trade and other receivables written off/ allowance for bad and doubtful debts	**–**	–	**877**	92	**1,518**	596	**–**	–	**7**	–	**–**	–	**2,402**	688

Consolidated balance sheet

As at 30 September

	Manufacturing and sales of consumer cosmetics		Manufacturing and sales of health related products		Manufacturing and sales of capsules products		Manufacturing and sales of health supplement wine		Manufacturing and sales of dental materials and equipment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets												
Segment assets	**81,100**	83,255	**66,670**	72,095	**45,028**	36,429	**26,650**	26,889	**9,760**	–	**229,208**	218,668
Unallocated corporate assets											**19,122**	26,369
Total assets											**248,330**	245,037
Liabilities												
Segment liabilities	**22,254**	23,186	**28,918**	29,149	**13,875**	11,942	**2,369**	2,117	**6,283**	–	**73,699**	66,394
Unallocated corporate liabilities											**40,090**	31,958
Total liabilities											**113,789**	98,352

8. Turnover

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

9. Other Income

	2008 HK$'000	2007 HK$'000
Interest income	**289**	133
Sundry income	**712**	461
Written back of staff welfare provision	**–**	744
Net exchange gain	**–**	818
Gain on disposal of property, plant and equipment	**–**	4
	1,001	2,160

10. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest expenses on:		
– bank borrowings wholly repayable within five years	**2,359**	1,939
– other borrowings wholly repayable within five years	**410**	63
	2,769	2,002

11. Loss Before Tax

	2008 HK$'000	2007 HK$'000
Loss before tax has been arrived at after charging:		
Directors' remuneration (Note 15)	**1,211**	1,293
Other staff costs	**99,939**	98,766
Retirement benefits scheme contributions (excluding directors' remuneration)	**1,586**	1,051
Total staff costs	**102,736**	101,110
Trade and other receivables written off/ allowance for bad and doubtful debts	**2,402**	688
Inventories written off/ allowance for obsolete stocks	**7,419**	10,530
Cost of inventories recognised as an expense	**111,725**	98,038
Auditors' remuneration	**595**	420
Amortisation of prepaid lease payments	**603**	515
Depreciation of property, plant and equipment	**5,351**	4,822
Loss on disposal of property, plant and equipment	**226**	–
Net exchange loss	**382**	–
Research and development costs	**125**	111

12. Income Tax Expenses

	2008 HK$'000	2007 HK$'000
The amount comprises:		
Taxation arising in the PRC		
Current year	**1,446**	2,547
Under (over) provision in prior years	**88**	(463)
	1,534	2,084

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group's income neither arose in, nor was derived from Hong Kong for the year (2007: nil).

Taxation arising in the 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 losses followed by a 50% tax relief for PRC Enterprise Income Tax for the following three years.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 issued by the Tenth National People's Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and Implementation Regulations, the Enterprise Income Tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

For the year ended 30 September 2007, the domestic income tax rate of 24% represents the PRC Foreign Enterprise Income Tax of which the Group's operations are substantially based.

The income tax expense for the year can be reconciled to the loss per the consolidated income statement as follows:

	2008 HK$'000	2007 HK$'000
Loss before tax	**(35,891)**	(36,249)
Tax at respective applicable tax rates	**(8,958)**	(8,363)
Tax effect of expenses not deducible for tax purposes	**4,130**	915
Tax effect of income not taxable for tax purposes	**(166)**	(6,643)
Tax effect of tax losses not recognised	**9,469**	19,527
Reduction of tax to concessionary rate	**(1,794)**	(2,749)
Tax effect of exemption granted to PRC subsidiaries	**(1,235)**	(140)
Under (over) provision in prior years	**88**	(463)
Income tax expense for the year	**1,534**	2,084

13. Dividends

The directors of the Company have resolved not to recommend the payment of any dividend for the year ended 30 September 2008 (2007: nil).

14. Loss Per Share

The calculation of the basic loss per share for the year is based on the following data:

	2008 HK$'000	2007 HK$'000
Loss:		
Loss for the year for the purposes of basic loss per share	**(38,187)**	(38,375)

	2008	2007
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**531,392,000**	500,000,000

No diluted loss per share have been presented for the two years ended 30 September 2008 and 2007 as there was no dilutive potential ordinary share for both years.

15. Directors' and Employees' Emoluments

(a) Directors' emoluments

Details of emoluments paid by the Group to the directors during the year are as follows:

For the year ended 30 September 2008

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total Emoluments HK$'000
Executive Directors				
Zheng Lixin (appointed on 31 October 2007)	–	110	–	110
Yao Feng	–	198	–	198
Zhang San Lin	–	198	8	206
Yang Shun Feng	–	198	8	206
Seet Lip Chai (appointed on 31 October 2007)	–	110	–	110
Sha Hai Bo (resigned on 1 June 2008)	–	72	5	77
	–	886	21	907
Non-executive Director				
Lo Wing Yat, Kelvin	–	–	–	–
Independent non-executive Directors				
Yu Jie	96	–	–	96
Yu Hong (appointed on 1 April 2008)	60	–	–	60
Chong Cha Hwa (appointed on 3 December 2007)	100	–	–	100
Luk Yu King, James (resigned on 30 November 2007)	30	–	–	30
Yin Jing Le (resigned on 1 April 2008)	18	–	–	18
	304	–	–	304
Total	304	886	21	1,211

15. Directors' and Employees' Emoluments – *Continued*

(a) Directors' emoluments – *Continued*

For the year ended 30 September 2007

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total Emoluments HK$'000
Executive Directors				
Yao Feng	–	198	–	198
Zhang San Lin	–	199	3	202
Yang Shun Feng	–	199	3	202
Sha Hai Bo	–	54	3	57
Yang Hong Gen (resigned on 22 March 2007)	–	199	3	202
Cheung Chun Ho, Frankie (resigned on 22 March 2007)	–	120	–	120
	–	969	12	981
Non-executive Director				
Lo Wing Yat, Kelvin	–	–	–	–
Independent non-executive Directors				
Luk Yu King, James	180	–	–	180
Yin Jing Le	36	–	–	36
Yu Jie	96	–	–	96
	312	–	–	312
Total	312	969	12	1,293

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group and no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director of the Company during the two years ended 30 September 2008 and 2007.

15. Directors' and Employees' Emoluments – *Continued*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, five (2007: four) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining individual for the year ended 30 September 2007 were as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	–	220
Retirement benefit scheme contributions	–	5
	–	225

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. Goodwill

	HK$'000
COST	
At 1 October 2006, 30 September 2007 and 1 October 2007	5,525
Arising on acquisition of a subsidiary	115
At 30 September 2008	5,640
IMPAIRMENT LOSS	
At 1 October 2006, 30 September 2007 and 30 September 2008	–
CARRYING VALUES	
At 30 September 2008	5,640
At 30 September 2007	5,525

Goodwill arose on acquisition of subsidiaries, Jiangsu Longlife Biochemistry Company Limited ("Jiangsu Longlife") and Wuxi Yongle Medical Devices Company Limited ("Wuxi Yongle"). Goodwill will be tested for impairment at least annually.

Impairment testing of goodwill

During the year, the Group performed an impairment testing of goodwill with reference to a valuation carried out by BMI Appraisals Limited, a qualified valuer not connected with the Group, for the purpose of assessing the recoverable amount. Such valuation has been carried out using cash flow projections based on financial budgets approved by management and applying the discounted cash flow technique. The directors are of the opinion, based on the business valuation, that the recoverable amount exceeds its carrying value in the consolidated balance sheet and no impairment is needed.

17. Property, Plant and Equipment

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COSTS						
At 1 October 2006	32,723	4,447	7,445	15,777	2,291	62,683
Exchange realignment	1,327	218	348	881	116	2,890
Additions	92	161	344	4,649	336	5,582
Transfers	–	–	–	118	(118)	–
Disposals	–	(44)	(919)	(55)	–	(1,018)
At 30 September 2007 and 1 October 2007	34,142	4,782	7,218	21,370	2,625	70,137
Exchange realignment	2,812	547	650	2,339	176	6,524
Acquired on acquisition of a subsidiary	–	7	–	–	–	7
Additions	1,341	478	104	1,059	3,988	6,970
Transfers	–	–	–	371	(371)	–
Disposals	–	(216)	(1,397)	(6,550)	–	(8,163)
At 30 September 2008	38,295	5,598	6,575	18,589	6,418	75,475
ACCUMULATED DEPRECIATION						
At 1 October 2006	3,791	2,773	3,635	4,939	–	15,138
Exchange realignment	216	145	182	289	–	832
Charge for the year	1,306	441	1,026	2,049	–	4,822
Eliminated on disposals	–	(16)	(795)	(41)	–	(852)
At 30 September 2007 and 1 October 2007	5,313	3,343	4,048	7,236	–	19,940
Exchange realignment	638	375	415	730	–	2,158
Charge for the year	1,471	634	823	2,423	–	5,351
Eliminated on disposals	–	(95)	(1,189)	(3,203)	–	(4,487)
At 30 September 2008	7,422	4,257	4,097	7,186	–	22,962
CARRYING VALUES						
At 30 September 2008	30,873	1,341	2,478	11,403	6,418	52,513
At 30 September 2007	28,829	1,439	3,170	14,134	2,625	50,197

As at 30 September 2008, certain of the Group's buildings in the PRC with aggregate carrying amount of approximately HK$25,538,000 (2007: HK$28,829,000) have been pledged to secure bank borrowings granted to the Group (note 23).

17. Property, Plant and Equipment – *Continued*

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as below:

Buildings	20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years
Plant and machinery	10 years

18. Prepaid Lease Payments

The Group's prepaid lease payments are in respect of leasehold land located in the PRC held under medium-term leases.

	2008 **HK$'000**	2007 HK$'000
Carrying amount at 1 October	**15,753**	14,675
Exchange realignment	**2,379**	1,103
Addition	**1,189**	490
Amortisation	**(603)**	(515)
Carrying amount at 30 September	**18,718**	15,753
Analysed for reporting purpose as:		
Current asset	**620**	517
Non-current asset	**18,098**	15,236
	18,718	15,753

The prepaid lease payments are amortised over the period of the rights of 45 years.

At 30 September 2008, the Group's prepaid lease payments amounting to approximately HK$15,972,000 (2007: HK$14,789,000) were pledged to secured bank borrowings granted to the Group (note 23).

19. Inventories

	2008 **HK$'000**	2007 HK$'000
Raw materials	**14,753**	15,735
Work in progress	**5,663**	2,379
Finished goods	**68,628**	73,280
	89,044	91,394

20. Trade and Bills Receivables

	2008 HK$'000	2007 HK$'000
Trade and bills receivables	**57,389**	46,048
Less: Allowance for bad and doubtful debts	**(4,948)**	(2,692)
	52,441	43,356

The Group has a policy of allowing an average credit period of 90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance at the balance sheet dates:

	2008 HK$'000	2007 HK$'000
0 – 90 days	**31,934**	28,055
91 – 180 days	**14,018**	7,589
181 – 365 days	**5,522**	3,352
Over 365 days	**967**	4,360
	52,441	43,356

Ageing analysis of trade receivables past due but not impaired:

	2008 HK$'000	2007 HK$'000
91 – 180 days	**14,018**	7,589
181 – 365 days	**5,522**	3,352
Over 365 days	**967**	4,360
	20,507	15,301

Trade receivables that were past due but not impaired related to customers that have a good repayment record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for bad and doubtful debts is as follows:

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	**2,692**	2,004
Exchange realignment	**331**	–
Impairment loss recognised during the year	**1,925**	688
Balance at end of the year	**4,948**	2,692

At each of the balance sheet dates, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over the balances.

21. Pledged Bank Deposits and Bank Balances and Cash

Pledged bank deposits represent the amount pledged to banks to secure banking facilities granted to the Group, with maturity within 3 months. The deposits carry interest rates at 0.72% during the year ended 30 September 2008 (2007: 0.72% to 1.53%).

Bank balances carry interest at prevailing market rate for both years.

At 30 September 2008, the Group's bank balances and cash, and pledged bank deposit dominated in RMB amounted to approximately RMB10,115,000 (2007: RMB10,630,000) and RMB3,476,000 (2007: RMB9,311,000) respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Included in bank balances and cash are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2008	2007
	'000	'000
United States dollars	**12**	12
Hong Kong dollars	**283**	77

22. Trade and Bills Payables

The following is an aged analysis of trade and bills payables at the balance sheet dates:

	2008	2007
	HK$'000	HK$'000
0 – 90 days	**32,186**	27,661
91 – 180 days	**1,878**	5,105
181 – 365 days	**1,558**	69
Over 365 days	**1,183**	612
	36,805	33,447

The bills payables were secured by the Group's bank deposits amounting to HK$3,946,000 (2007: HK$9,615,000).

23. Bank and Other Borrowings

	2008 HK$'000	2007 HK$'000
Secured bank borrowings	**36,095**	25,817
Unsecured bank borrowings	**1,135**	1,033
Unsecured other borrowings	**292**	–
	37,522	26,850
Bank and other borrowings repayable within a period of:		
Less than one year	**34,457**	26,850
More than one year but within two years	**–**	–
More than two years but within three years	**3,065**	–
	37,522	26,850
Less: Balance repayable within one year disclosed under current liabilities	**(34,457)**	(26,850)
Balance disclosed under non-current liabilities	**3,065**	–

All of the Group's borrowings are denominated in RMB.

At 30 September 2008, secured bank borrowings of approximately HK$30,420,000 (2007: HK$20,654,000) were secured by buildings and prepaid lease payments of the Group with aggregate carrying amount of approximately HK$30,915,000 (2007: HK$30,687,000). Included in the secured bank borrowings amounted to HK$7,718,000 (2007: nil) which were also guaranteed by a director of the Company (note 35).

At 30 September 2008, the bank borrowing with a principal amount of approximately HK$1,135,000, (2007: HK$1,033,000) was guaranteed by 浙江美力彈簧有限公司, independent third party to the Group.

At 30 September 2008, the secured bank borrowing with a principal amount of approximately HK$5,675,000 (2007: HK$5,163,000) was guaranteed by 蘇州國發中小企業擔保投資有限公司, an independent third party to the Group. For the purpose of obtaining such guarantee, the Group has pledged its buildings and prepaid lease payments of approximately HK$10,595,000 (2007: HK$12,931,000) to 蘇州國發中小企業擔保投資有限公司 .

The bank borrowings carried fixed-rate interest ranging from 7.47% to 14.56% (2007: 6.18%) per annum.

At 30 September 2008, the other borrowings were unsecured and carried interest at 12% per annum.

The directors consider that the fair values of the Group's borrowings approximate their carrying amounts.

24. Amount Due to a Minority Shareholder, a Shareholder and a Director

The amounts are unsecured, interest-free and repayable on demand.

25. Deferred Taxation

At the balance sheet date, the Group has estimated the unused tax losses of approximately HK$158,433,000 (2007: HK$120,277,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits stream. Such tax losses can be carried forward for 5 years from the year in which the respective loss arose.

26. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 30 September 2007 and 30 September 2008	2,000,000,000	200,000
Issued and fully paid:		
At 30 September 2007 and 1 October 2007	500,000,000	50,000
Issue of shares upon placing (note)	33,400,000	3,340
At 30 September 2008	533,400,000	53,340

Note: Pursuant to the placing and subscription agreement dated 15 October 2007, the Company issued 33,400,000 ordinary shares of HK$0.10 each at a price of HK$0.33 per share to independent third parties for cash. The new shares rank pari passu with the existing shares in all respects.

27. Acquisition of a Subsidiary

On 17 July 2008, the Group acquired 51% equity interests in Wuxi Yongle, a company established in the PRC and engaged in trading of medical machinery, at a consideration of approximately HK$458,000. This acquisition has been accounted for by the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was HK$115,000.

Details of the net assets acquired in respect of the acquisition of Wuxi Yongle during the year ended 30 September 2008 are summarised below:

	Fair value of assets and liabilities acquired HK$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	7
Inventories	337
Trade receivables	333
Other receivables	12
Bank balances and cash	143
Trade payables	(80)
Other payables and accruals	(74)
Tax payables	(5)
Minority interests	(330)
Net assets acquired	343
Goodwill	115
Total consideration satisfied by cash	458
Net cash outflow arising on acquisition:	
Cash paid	(458)
Bank balances and cash acquired	143
	(315)

27. Acquisition of a Subsidiary – *Continued*

The goodwill arising on the acquisition of Wuxi Yongle during the year ended 30 September 2008 was attributable to the anticipated future operating synergies from the combination of the existing distribution networks of the Group.

The subsidiary acquired during the year ended 30 September 2008 contributed HK$339,000 to the Group's revenue and loss of HK$22,000 to the Group's results.

If the acquisition had been completed on 1 October 2007, total contribution to the Group's revenue for the year ended 30 September 2008 would have been HK$1,289,000, and profit for the year ended 30 September 2008 would have been HK$5,400. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group for the year ended 30 September 2008 that actually would have been achieved had the acquisition been completed on 1 October 2007, nor is it intended to be a projection of future results.

There was no acquisition of subsidiaries during the year ended 30 September 2007.

28. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entity provides research, development or other technological support to the Group, any minority shareholder in the Company's subsidiaries, and adviser to business development of the Group. The Scheme became effective on 26 May 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted shall be determined by the directors at their absolute discretion, but in any event shall not be more than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's shares.

No options were granted or exercised during the year ended 30 September 2008.

28. Share Option Scheme – *Continued*

For the year ended 30 September 2007, the details of movements in the number of options outstanding which have been granted under the Scheme are as follows:

	Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1 October 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 September 2007
				Number of share options				
Directors of the Company	28 December 2004	28 December 2004 – 27 December 2006	0.27	25,000,000	–	–	(25,000,000)	–
Other employees of the Group	28 December 2004	28 December 2004 – 27 December 2006	0.27	25,000,000	–	–	(25,000,000)	–
				50,000,000	–	–	(50,000,000)	–

At 30 September 2007, all share options granted to eligible participants (including executive directors) under the Scheme were lapsed.

29. Operating Lease Commitments

	2008 HK$'000	2007 HK$'000
Minimum lease payments under operating lease during the year	**2,280**	2,401

At the balance sheet date, 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:

	2008 HK$'000	2007 HK$'000
Within one year	**1,369**	1,255
In the second to fifth year inclusive	**605**	391
Over five years	**149**	–
	2,123	1,646

Leases are negotiated and rentals are fixed for terms of 6 months to 12 years (2007: 6 months to 3 years).

30. Capital Commitments

	2008 HK$'000	2007 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of – acquisition of property, plant and equipment	**6,813**	–

31. Pledge of Assets

At the balance sheet date, the following assets were pledged by the Group to secure banking facilities:

	2008 HK$'000	2007 HK$'000
Prepaid lease payments	**15,972**	14,789
Property, plant and equipment	**25,538**	28,829
Bank deposits	**3,946**	9,615
	45,456	53,233

32. Retirement Benefits Scheme

The employees of the subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government.

The relevant subsidiaries are required to make contributions to the defined contribution pension scheme in the PRC based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to a retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The pension scheme contributions made by the Group was approximately HK$1,607,000 (2007: HK$1,063,000) for the year.

33. Balance Sheet of the Company

	2008 HK$'000	2007 HK$'000
NON CURRENT ASSETS		
Investments in subsidiaries	**75,152**	75,152
Amount due from subsidiaries	**49,285**	61,611
	124,437	136,763
CURRENT ASSET		
Bank balances and cash	**68**	71
CURRENT LIABILITIES		
Other payables	**1,171**	–
Amount due to subsidiaries	**6,648**	4,634
	7,819	4,634
NET CURRENT LIABILITIES	**(7,751)**	(4,563)
	116,686	132,200
CAPITAL AND RESERVES		
Share capital	**53,340**	50,000
Reserves	**63,346**	82,200
	116,686	132,200

34. Particulars of Subsidiaries

Details of the subsidiaries held by the Company as at 30 September 2008 are as follows:

Name of company	Place of incorporation/ registration/ operation	Issue and fully paid up share capital/ registered capital	Proportion ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Wallfaith Company Limited	British Virgin Islands ("BVI")	Ordinary shares US$100	100%	–	Investment holding
Suzhou Longlifu Health Food Co., Ltd. (Note a)	PRC	Registered capital RMB70,000,000	–	100%	Manufacture and sale of health related products
Smiston Technology Limited	BVI	Ordinary shares US$50,000	–	100%	Investment holding
Suzhou Beautiful Biochemistry Co., Ltd. (Note a)	PRC	Registered capital US$3,800,000	–	100%	Manufacture and sale of biochemical products for daily use
Zhejiang Xinda Zhongshan Capsules Company Limited (Note b)	PRC	Registered capital US$1,800,000	–	61.11%	Manufacture and sale of capsules
Jiangsu Longlife (Note a)	PRC	Registered capital RMB10,000,000	–	100%	Manufacture and sale of health supplement wine
Suzhou Longlifu Trading Co., Ltd. (Note c)	PRC	Registered capital RMB5,000,000	–	100%	Trading of household commodities and health related products
Jiangsu Longlife Special Equipment Technology Co. Ltd. (Note a)	PRC	Registered capital HK$50,000,000 (paid up HK$10,000,000)	–	100%	Research, manufacture and sale of equipment and material specially designed for orthodontics
China Dental Technology Group Limited	BVI	Ordinary shares US$1	100%	–	Investment holding
Suzhou Longlife Medical Devices Co., Ltd. (Note c)	PRC	Registered capital RMB5,000,000	–	100%	Inactive
Suzhou Anderson Medical Devices Co., Ltd. (Note c)	PRC	Registered capital RMB1,000,000	–	100%	Inactive
Wuxi Yongle (Note c)	PRC	Registered capital RMB600,000	–	51%	Trading of medical machinery

34. Particulars of Subsidiaries – *Continued*

Notes:

a. These are wholly-foreign owned enterprises established in the PRC.

b. It is a sino-foreign owned enterprise established in the PRC.

c. These are limited companies established in the PRC.

The English names of all PRC subsidiaries are for identification purpose only.

None of the subsidiaries had any debt securities outstanding at the end of the year or at an time during the year.

35. Related Party Transactions

Details of the balances with related parties as at balance sheet date are set out in the consolidated balance sheet and relevant notes.

(a) Save as disclosed elsewhere in these consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

A secured bank borrowing amounting to HK$7,718,000 granted during the year ended 30 September 2008 was guaranteed by a director of the Company, Mr. Yang Shun Feng.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008	2007
	HK$'000	HK$'000
Short-term benefits	**1,501**	1,602
Post-employment benefits	**24**	20
	1,525	1,622

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Financial Summary

Results

	For the year ended 30 September				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	197,822	197,457	243,386	270,753	**272,277**
Cost of sales	(66,257)	(70,111)	(97,826)	(98,038)	**(111,725)**
Gross profit	131,565	127,346	145,560	172,715	**160,552**
Other income	368	1,033	4,156	2,160	**1,001**
Administrative expenses	(11,458)	(20,858)	(26,236)	(26,788)	**(32,192)**
Selling and distribution expenses	(77,874)	(81,219)	(118,355)	(181,714)	**(161,715)**
Other expenses	(722)	(189)	(459)	(620)	**(768)**
Finance costs	(2,213)	(1,554)	(1,233)	(2,002)	**(2,769)**
(Loss)/profit before tax	39,666	24,559	3,433	(36,249)	**(35,891)**
Income tax (expenses)/credit	(4,388)	606	(2,905)	(2,084)	**(1,534)**
(Loss)/profit for the year	35,278	25,165	528	(38,333)	**(37,425)**
Attributable to:					
Equity holders of the Company	35,278	25,165	639	(38,375)	**(38,187)**
Minority interests	–	–	(111)	42	**762**
(Loss)/profit for the year	35,278	25,165	528	(38,333)	**(37,425)**

Assets and liabilities

	At 30 September				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	191,430	214,928	266,805	245,037	**248,330**
Total liabilities	(52,634)	(50,967)	(89,831)	(98,352)	**(113,789)**
Total equity	138,796	163,961	176,974	146,685	**134,541**
Minority interests	–	–	(5,406)	(5,712)	**(7,393)**
Equity attributable to equity holders of the Company	138,796	163,961	171,568	140,973	**127,148**