LONGLIFE GROUP HOLDINGS LIMITED
朗力福集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 08037)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2010

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement 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 GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Longlife Group Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 September 2010, together with the comparative figures in 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Turnover	6	**84,184**	160,522
Cost of sales		**(43,700)**	(71,641)
Gross profit		**40,484**	88,881
Other income	7	**9,968**	2,046
Impairment loss recognised in respect of goodwill		**-**	(5,525)
Restructuring and redundancy costs	8	**(2,107)**	(35,030)
Administrative expenses		**(33,951)**	(29,886)
Selling and distribution expenses		**(27,715)**	(98,170)
Other expenses		**(2,967)**	(2,367)
Finance costs	9	**(1,730)**	(3,388)
Loss before tax	10	**(18,018)**	(83,439)
Income tax expense	11	**(47)**	(978)
Loss for the year		**(18,065)**	(84,417)
Other comprehensive income / (loss):			
Exchange differences on translation of foreign operations		**673**	(508)
Total comprehensive loss for the year		**(17,392)**	(84,925)
Loss attributable to:			
Equity holders of the Company		**(16,465)**	(83,561)
Non-controlling interests		**(1,600)**	(856)
		(18,065)	(84,417)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(15,902)**	(84,065)
Non-controlling interests		**(1,490)**	(860)
		(17,392)	(84,925)
Loss per share attributable to equity holders of the Company	13	**HK$**	HK$
- basic		**(2.42 cents)**	(15.67 cents)
- diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2010

	Note	**2010** **HK$'000**	2009 HK$'000
NON-CURRENT ASSETS			
Goodwill		**-**	-
Property, plant and equipment		**44,966**	46,291
Prepaid lease payments		**11,514**	16,191
		56,480	62,482
CURRENT ASSETS			
Prepaid lease payments		**425**	394
Financial assets at fair value through profit or loss		**19,485**	-
Inventories		**36,092**	35,568
Trade and bills receivables	14	**28,282**	40,864
Prepayments and other receivables		**18,267**	7,765
Tax recoverable		**44**	138
Amount due from a director		**-**	56
Pledged bank deposits		**-**	5,675
Bank balances and cash		**88,443**	2,128
		191,038	92,588
CURRENT LIABILITIES			
Trade and bills payables	15	**19,527**	36,885
Other payables and accruals		**61,711**	37,698
Bank and other borrowings		**18,124**	23,377
Amount due to a non-controlling shareholder		**971**	2,851
Amount due to a shareholder		**-**	4,581
Amount due to a director		**468**	500
		100,801	105,892
NET CURRENT ASSETS (LIABILITIES)		**90,237**	(13,304)
NET ASSETS		**146,717**	49,178
CAPITAL AND RESERVES			
Share capital		**96,008**	53,340
Reserves		**45,985**	(10,376)
Equity attributable to equity holders of the Company		**141,993**	42,964
Non-controlling interests		**4,724**	6,214
TOTAL EQUITY		**146,717**	49,178

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Attributable to equity holders of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Share options reserve** HK$'000	**Special reserve** HK$'000 (Note 1)	**Statutory surplus reserve fund** HK$'000 (Note 2)	**Statutory enterprise expansion fund** HK$'000 (Note 3)	**Exchange reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total Equity** HK$'000
At 1 October 2008	53,340	15,479	–	22,443	15,479	3,098	28,436	(11,127)	127,148	7,393	134,541
Total comprehensive loss for the year	–	–	–	–	–	–	(504)	(83,561)	(84,065)	(860)	(84,925)
Disposal of a subsidiary	–	–	–	–	–	–	(119)	–	(119)	(319)	(438)
At 30 September 2009 and 1 October 2009	53,340	15,479	–	22,443	15,479	3,098	27,813	(94,688)	42,964	6,214	49,178
Total comprehensive income for the year	–	–	–	–	–	–	563	(16,465)	(15,902)	(1,490)	(17,392)
Share-based compensation	–	–	8,574	–	–	–	–	–	8,574	–	8,574
Issue of ordinary shares by placing	42,668	66,668	–	–	–	–	–	–	109,336	–	109,336
Less: Shares issue expenses on placing	–	(2,979)	–	–	–	–	–	–	(2,979)	–	(2,979)
At 30 September 2010	**96,008**	**79,168**	**8,574**	**22,443**	**15,479**	**3,098**	**28,376**	**(111,153)**	**141,993**	**4,724**	**146,717**

Notes:

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

2. Pursuant to the Articles of Association of certain subsidiaries of the Company in the PRC, those subsidiaries should transfer not less than 10% of net profit to the statutory surplus reserve fund, while the rest of the subsidiaries of the Company in the PRC can make appropriation of net profit to the statutory surplus reserve fund on a discretionary basis.

   The statutory surplus reserve fund can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of those PRC subsidiaries.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2010

1. General Information

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 shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 June 2004. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Suite 7602A, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries are HK$. The reason for selecting HK$ as its presentation currency is because the Company is a public company listed on the GEM of the Stock Exchange, where most of the investors are located in Hong Kong.

The principle activities of the Company are investment holding and trading of securities. The principle activities of the subsidiaries are the manufacture, research and development and distribution of consumer cosmetic, health related products, capsules products, health supplement wine, dental materials and equipment in the PRC.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

3. Going Concern Convention

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the liquidity of the Group as the Group has sustained operating losses for 4 consecutive years and incurred loss of approximately HK$18,065,000 (2009: HK$84,417,000) for the year.

In order to improve the situation, the directors of the Company have adopted the following measures with a view to maintain the Group's existence as a going concern and to improve the Group's overall financial and cash flow position during the year:

(a) the Group disposed of certain of its land use right located in PRC to an independent third parties at consideration of approximately HK$13,896,000 (RMB12,000,000) in July 2010 and anticipates that the unsettled sale proceeds of approximately HK$8,106,000 (RMB7,000,000) will flow into the Group;

(b) the Group has planned, if necessary, to dispose of certain of its land use right located in the PRC to independent third parties;

(c) the Group placed totally 426,680,000 ordinary shares in return for net proceeds of HK$106,357,000 during the year; and

(d) the Group continues to implement measures to tighten cost controls over various operating expenses and to improve the Group's operating results and positive cash flow operation.

In the opinion of the Directors, as the measures described above accomplished the expected results, the directors are satisfied that the Group is able to have sufficient working capital to meet in full its financial obligations as they fall due in the foreseeable future and be able to return to a commercially viable concern. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

4. Adoption of New and Revised HKFRSs

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

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to HKFRS2, HKAS 38, paragraph 80 of HKAS 39, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the financial statements.

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management.

HKFRS 3 (Revised) affects the Group's accounting for business combination for which the acquisition date is on or after 1 October 2009. The requirements in HKAS 27 (Revised) in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also adopted prospectively by the Group for transactions on or after 1 October 2009. As there was no transaction during the current financial year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting period. Accordingly, no prior year adjustment has been recognised.

HK – Int 5 requires a term loan that contains a repayment on demand clause should be classified as current liabilities. The adoption of HK – Int 5 has resulted in the presentation of bank borrowing of the Group being reclassified as current liabilities as at 30 September 2010 and 2009.

4. Adoption of New and Revised HKFRSs - Continued

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

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets[8]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Amendments that are effective for annual periods beginning on or after 1 January 2010.
2 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.
8 Effective for annual periods beginning on or after 1 July 2011.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective for the Group's financial year commencing from 1 October 2013, with earlier adoption permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The adoption of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

5. Segment Information

The Group engaged in the manufacture, research and development and distribution of consumer cosmetic, health related products, capsules products, health supplement wine, dental materials and equipment in the PRC and trading of securities in Hong Kong.

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		Trading of financial assets at fair value through profit or loss		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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
Turnover	**34,511**	86,140	**19,642**	42,702	**27,883**	23,798	**1,774**	7,223	**336**	659	**38**	-	**84,184**	160,522
Segment results	**(1,498)**	(21,491)	**(3,193)**	(8,587)	**(3,395)**	(1,201)	**66**	(3,380)	**(543)**	(2,290)	**(387)**	-	**(8,950)**	(36,949)
Other income													**9,968**	2,046
Impairment loss recognized in respect of goodwill													**-**	(5,525)
Restructuring and redundancy costs													**(2,107)**	(35,030)
Unallocated corporate expenses													**(15,199)**	(4,593)
Finance costs													**(1,730)**	(3,388)
Loss before tax													**(18,018)**	(83,439)
Income tax expenses													**(47)**	(978)
Loss for the year													**(18,065)**	(84,417)

5. Segment Information *(Continued)*

Consolidated statement of financial position

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		Trading of financial assets at fair value through profit or loss		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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
Assets														
Segment assets	**62,377**	53,557	**27,464**	39,753	**38,964**	38,788	**3,156**	8,430	**8,543**	6,426	**19,485**	–	**159,989**	146,954
Unallocated corporate assets													**87,529**	8,116
Total assets													**247,518**	155,070
Liabilities														
Segment liabilities	**41,764**	35,392	**29,272**	20,923	**15,838**	14,049	**2,835**	2,387	**4,433**	401	–	–	**94,142**	73,152
Unallocated corporate liabilities													**6,659**	32,740
Total liabilities													**100,801**	105,892

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		Trading of financial assets at fair value through profit or loss		Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**HK$'000**	HK$'000
Capital expenditures	**1,234**	1,456	**245**	83	**341**	496	**24**	–	**4,058**	1,088	–	–	–	–	**5,902**	3,123
Amortisation of prepaid lease payments	**326**	309	**76**	209	**62**	78	**7**	–	**24**	24	–	–	–	–	**495**	620
Depreciation of property, plant and equipment	**1,420**	586	**663**	2,159	**1,530**	1,783	**65**	–	**20**	92	–	–	–	–	**3,698**	4,620
Fixed assets written off	**59**	–	**43**	–	–	–	**4**	–	–	–	–	–	–	–	**106**	–
Impairment loss recognised in respect of property, plant and equipment	**1,931**	–	–	–	–	850	–	–	**589**	–	–	–	–	–	**2,520**	850
Gain on disposal of prepaid lease payment	**(5,061)**	(807)	**(3,772)**	–	–	–	**(368)**	–	–	–	–	–	–	–	**(9,201)**	(807)
(Written back of) allowance for obsolete stocks	–	–	–	–	–	(109)	–	–	–	–	–	–	–	–	–	(109)
Impairment loss of obsolete stocks	**7,660**	–	**5,233**	–	–	–	**511**	–	–	–	–	–	–	–	**13,404**	–
Gain on disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(137)	–	–	–	–	–	(137)
Loss (gain) on disposal of property, plant and equipment	**76**	858	**(10)**	26	–	112	**(1)**	–	–	–	–	–	–	–	**65**	996
Trade and other receivables written off/ allowance for bad and doubtful debts	**4,366**	1,108	**3,255**	562	**3,100**	3,330	**318**	95	–	–	–	–	–	67	**11,039**	5,162

6. Turnover

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

7. Other Income

	2010 HK$'000	2009 HK$'000
Net exchange gain	–	896
Gain on disposal of prepaid lease payments	**9,201**	807
Interest income	**108**	152
Gain on disposal of a subsidiary	–	137
Sundry income	**659**	54
	9,968	2,046

8. Restructuring and Redundancy Costs

Since last year, the Group actively implemented a restructuring of its products distribution mode by converting direct sales system to dealership structure. To achieve so, the Group had shut down its inefficient sales networks and terminated certain of its employees. Relevant costs incurred in the process are as follows:

	2010 HK$'000	2009 HK$'000
Cost of inventories recognised for compensation	–	29,702
Employees termination compensation paid	**2,107**	4,375
Provision for employees termination compensation	–	953
	2,107	35,030

As a result, the total restructuring and redundancy costs in relation to the shut down of sales networks amounting to approximately HK$2,107,000 were recognised in the consolidated statement of comprehensive income for the year (2009: HK$35,030,000).

9. Finance Costs

	2010 HK$'000	2009 HK$'000
Interest expenses:		
– bank borrowings wholly repayable within five years	**1,596**	2,995
– other borrowings wholly repayable within five years	**34**	39
– discounted bills interest	**100**	354
	1,730	3,388

10. Loss Before Tax

	2010 HK$'000	2009 HK$'000
Loss before tax has been arrived at after charging (crediting):		
Directors' emoluments	**3,640**	1,707
Other staff costs	**8,831**	62,716
Retirement benefits scheme contributions (excluding directors' remuneration)	**1,451**	2,513
Total staff costs	**13,922**	66,936
Trade and other receivables written off/allowance for bad and doubtful debts (included in administrative expenses)	**11,039**	5,162
Written back of obsolete stocks (included in cost of sales)	**–**	(109)
Impairment loss of obsolete stocks (included in cost of sales)	**13,404**	–
Cost of inventories recognised as an expense	**43,700**	71,641
Auditors' remuneration	**420**	460
Amortisation of prepaid lease payments	**495**	620
Depreciation of property, plant and equipment	**3,698**	4,620
Property, plant and equipment written off	**106**	–
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	**2,520**	850
Loss on disposal of property, plant and equipment	**65**	996
Loss on investment in financial assets at fair value through profit or loss	**387**	–
Net exchange loss	**2**	–

11. Income Tax Expenses

	2010 HK$'000	2009 HK$'000
The amount comprises:		
Taxation arising in Hong Kong	**–**	–
Taxation arising in the PRC		
Current year	**47**	548
Under provision in prior years	**–**	430
	47	978

The Company and its subsidiaries have no assessable profits arising in Hong Kong for the year and previous year.

Taxation arising in the PRC is calculated at the rates prevailing in the relevant jurisdiction.

11. Income Tax Expenses - Continued

Pursuant to the relevant law and regulations in the PRC, subsidiaries of the Company in the PRC, Jiangsu Longlife and Zhejiang Xinda Zhongshan Capsules Company Limited are exempted from PRC Enterprise Income Tax for two years starting from the first profit making year in which profits exceed any tax losses brought forward followed by a 50% tax reduction relief for PRC Enterprise Income Tax for the following three years.

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

	2010	2009
	HK$'000	HK$'000
Loss before tax	**(18,018)**	(83,439)
Tax at respective applicable tax rates	**(4,505)**	(20,164)
Tax effect of expenses not deducible for tax purposes	**5,357**	4,887
Tax effect of income not taxable for tax purposes	**(2,300)**	(272)
Tax effect of tax losses not recognised	**1,495**	16,625
Tax effect of exemption granted to PRC subsidiaries	–	(528)
Under provision in prior years	–	430
Income tax expense for the year	**47**	978

12. Dividends

No dividend was paid or proposed during the year ended 30 September 2010, nor has any dividend been proposed since the end of the reporting period (2009: nil).

13. Loss Per Share

The calculation of basic loss per share attributable to the equity holders of the Company is based on the following data:

	2010	2009
	HK$'000	HK$'000
Loss:		
Loss for the year for the purposes of basic loss per share	**(16,465)**	(83,561)

	2010	2009
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**680,461,370**	533,400,000

No diluted loss per share have been presented for the year ended 30 September 2010 as there was no potential ordinary share outstanding during the year and the exercise price of the Company's outstanding share options was higher than the average market price for the Company's share during the year.

No diluted loss per share have been presented for the year ended 30 September 2009 as there was no dilutive potential ordinary share.

14. Trade and Bills Receivables

	2010	2009
	HK$'000	HK$'000
Trade and bills receivables	**49,674**	50,907
Less: Allowance for bad and doubtful debts	**(21,392)**	(10,043)
	28,282	40,864

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 end of the reporting period:

	2010	2009
	HK$'000	HK$'000
0 – 90 days	**10,365**	26,361
91 – 180 days	**8,762**	8,726
181 – 365 days	**9,147**	5,721
Over 365 days	**8**	56
	28,282	40,864

Ageing analysis of trade receivables past due but not impaired:

	2010	2009
	HK$'000	HK$'000
91 – 180 days	**8,762**	8,726
181 – 365 days	**9,147**	5,721
Over 365 days	**8**	56
	17,917	14,503

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:

	2010	2009
	HK$'000	HK$'000
Balance at beginning of the year	**10,043**	4,948
Exchange realignment	**310**	–
Write back of allowance for bad and doubtful debts	**(2,969)**	(61)
Allowance for bad and doubtful debts recognized	**14,008**	5,156
Balance at end of the year	**21,392**	10,043

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. At the end of the reporting period, included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of approximately HK$21,392,000 (2009: HK$10,043,000).

15. Trade and Bills Payables

The following is an aged analysis of trade and bills payables at the end of the reporting period:

	2010 **HK$'000**	2009 HK$'000
0 – 90 days	**8,687**	19,265
91 – 180 days	**1,129**	11,084
181 – 365 days	**1,579**	5,513
Over 365 days	**8,132**	1,023
	19,527	36,885

The Group's bank deposits amounting to HK$5,675,000 was pledged as securities for the bills payables as at 30 September 2009. There were no bills payables and no pledge of assets for bills payables at the end of the reporting period.

16. Pledge of Assets

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

	2010 **HK$'000**	2009 HK$'000
Property, plant and equipment	**14,717**	13,062
Prepaid lease payments	**6,822**	6,263
Bank deposits	**–**	5,675
	21,539	25,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, China's economy recovered strongly and the growth of total retail sales of social consumer goods, stimulated by the government polices, restored to the levels seen prior to the financial crisis. As the business model of the Group's consumer goods segment has been converted from direct sales to that of wholesale and distribution, meanwhile the Group continued to streamline the inefficient sales networks of its direct sales business in Shanghai, the selling price and sales volume decreased by 25.53% and 23.31% respectively, compared to that of corresponding period in last year, and the sales dropped by 47.6% compared to that of last year. The Directors considered that although the sales decreased significantly, the Group has preliminarily solved the huge risks (such as those in operating losses and labor) accumulated over the years, which caused the number of employees, directly or indirectly employed, to decrease from approximately 1,268 employees of corresponding period in last year to 720 employees at present.

Revenue
Sales of the Group for the year ended 30 September 2010 were approximately HK$84,184,000, while that for the year ended 30 September 2009 were approximately HK$160,522,000, representing a decrease of approximately HK$76,338,000, or approximately 47.6%. The substantial decrease in sales was mainly due to the conversion of the Group's sales model into an agency and dealership structure, and the continuous implementation of its strategy in streamlining low efficiency sales network.

Gross profit
Gross profit for the year ended 30 September 2010 was approximately HK$40,484,000, representing a decrease of approximately HK$48,397,000, or approximately 54.4%, when compared with the gross profit of approximately HK$88,881,000 for the year ended 30 September 2009. Gross margin for the year ended 30 September 2010 was approximately 48%, a decrease of approximately 7.4 percentage points when compared with the gross margin of approximately 55.4% for the year ended 30 September 2009. The decrease in gross margin was mainly due to the conversion of the Group's sales model into an agency and dealership structure and the price reduction in response to the fierce competition from other manufacturers and in a bid to retain its dealers.

Administrative expenses
Administrative expenses for the year ended 30 September 2010 amounted to approximately HK$33,951,000, representing an increase of approximately HK$4,065,000, or approximately 13.6%, when compared with approximately HK$29,886,000 for the year ended 30 September 2009. The increase in administrative expenses was mainly due to increase in impairment loss from trade and other receivables.

Selling and distribution expenses
Selling and distribution expenses for the year ended 30 September 2010 amounted to approximately HK$27,715,000, representing a decrease of approximately HK$70,455,000, or approximately 71.8%, when compared with approximately HK$98,170,000 for the year ended 30 September 2009. The significant decrease in selling and distribution expenses was mainly due to the conversion of the Group's sales model into an agency and dealership structure and the continuous streamlining of low efficiency sales network of its direct sales business in Shanghai as well as the increasing effect of cost control.

Loss
Loss for the year ended 30 September 2010 was HK$18,065,000, representing a decrease of approximately HK$66,352,000, when compared with loss of approximately HK$84,417,000 for the year ended 30 September 2009. The significant decrease in losses was due to the conversion of the Group's sales model into an agency and dealership structure, and the decrease in sales expenses resulting from the streamlining of low efficiency sales network.

FUTURE OUTLOOK

Deepening the business model of "light asset, focus on operation and full services" remains the Group's primary task. The Group will further the process of conversion and streamlining its inefficient sales networks in Shanghai, which may cause a continuous drop in turnover, inventory level and direct and indirect employees. After streamlining the business, the utilization rate of assets will be significantly decreased. The Group will actively dispose of its inefficient non-core assets, which may, to a certain extent, result in book losses. However, the Directors believe that these actions are capable of reducing losses or making turnaround, which will contribute to an increase in the shareholders' long-term value by rebuilding the profitability of the Group. The Group is dedicated to exploring new business by venturing into new business areas. The Group has embarked on investment in listed securities in Hong Kong with its internal resources. It will actively utilize its investment skills to strive for better return for shareholders.

FINANCIAL REVIEW

Inventories
The inventories were approximately HK$36,092,000 as at 30 September 2010, an increase of approximately HK$524,000, or an increase of approximately 1.5%, as compared to the inventory of approximately HK$35,568,000 for the corresponding period in 2009. The increase of inventories was mainly due to the slowing down of sales of some products.

Liquidity and financial resources
The Group adopts a prudent policy for its financial resources management. The Group had cash and bank balances (excluding pledged bank deposits) of approximately HK$88,443,000 and approximately HK$2,128,000 respectively as at 30 September 2010 and 2009.

The Group generally finances its operations with internally generated cash f lows and banking facilities. As at 30 September 2010, the Group had bank borrowings of approximately HK$17,950,000 (2009: approximately HK$23,267,000). The Group also had unsecured other borrowings of approximately HK$174,000 (2009: approximately HK$110,000), which are repayable within one year. The interests of such bank and other borrowings are usually accrued at fixed rates.

Details of assets pledged by the Group to secure banking facilities are set out in note 16 to this announcement.

The gearing ratio (defined as total borrowings to total assets) of the Group as at 30 September 2010 and 2009 were approximately 7.9% and approximately 20.2% respectively.

Currency and interest rate structure
The Group had limited exposure to foreign exchange rate and interest rate fluctuation as most of its transactions, including borrowings, were mainly conducted in RMB and the exchange rates and interest rates of RMB were relatively stable throughout 2010 except for the appreciation of RMB during the year.

Contingent liabilities
The Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 30 September 2010, the maximum rental liabilities of the Company in case of default of rental payment by Capital VC Limited would be HK$4,222,000.

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 2010 amounted to approximately HK$394,000 (2009: HK$5,508,000).

Operating Lease Commitment

	2010 **HK$'000**	2009 HK$'000
Minimum lease payments under operating lease during the year in relation to office premises, warehouses and staff quarters	**313**	1,087

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

	2010 **HK$'000**	2009 HK$'000
Within one year	**1,649**	161
In the second to fifth year inclusive	**2,573**	–
Over five years	**–**	–
	4,222	161

Leases are negotiated and rentals are fixed for terms of 1 year to 3 years (2009: 1 year to 2 years).

Legal Dispute
A dispute in relation to a construction contract between Jiangsu Longlife Special Equipment Technology Co. Ltd., a wholly-owned subsidiary of the Group, and 蘇州建築工程集團有限公司 was resolved by way of civil mediation through Suqian City Intermediate People's Court of Jiangsu Province on 16 September 2010. The Company has to pay a construction fee of RMB 3,476,436.64 before 31 December 2010, non-compliance of which will entitle 蘇州建築工程集團有限公司 to apply to the Court for specific performance, including auctioning off or realising the land use rights and buildings of the Company at discount. Such auctions might bring losses to the Group as the bidding price might be unreasonably low. Up to the date of this announcement, no settlement has been made by the Group.

OTHERS

Employees' Remuneration
As at 30 September 2010, the Group, directly and indirectly, had 720 employees (2009: 1,268). Total staff costs for the year ended 30 September 2010 was approximately HK$13,922,000 (2009: approximately HK$66,936,000). The decrease of 79.2% in staff costs of the Group was mainly due to streamlining of marketing staff, management staff and manufacturing staff.

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. 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.

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies
During the year ended 30 September 2010, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

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.

Corporate Governance
The Group recognises 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 2010, 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 to the GEM Listing Rules, except for the deviations to code provision A.4.1 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the Code.

Non-executive Directors
Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors are not appointed for specific terms. However, they are subject to retirement by rotation in accordance with the Company's articles of association.

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 2010. 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 2010.

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. The Audit Committee currently comprises three independent non-executive Directors, Mr. Chong Cha Hwa, Ms. Chan Wai Yan and Mr. Sham Chi Keung, William. For the year ended 30 September 2010, 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 advise and comment thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control of the Group. The Audit Committee has reviewed the audited financial results of the Group for the year ended 30 September 2010.

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.

By Order of the Board
Longlife Group Holdings Limited
Cheung Hung
Chairman

Hong Kong, 22 December 2010

As at the date of this announcement, the executive directors of the Company are Mr. CHEUNG Hung (Chairman), Mr. ZHANG Sanlin, Mr. CHEN Zhongwei, Mr. TIAN Zhenyong and Mr. WANG Zhixin; and the independent non-executive directors of the Company are Mr. CHONG Cha Hwa, Ms. CHAN Wai Yan and Mr. SHAM Chi Keung, William.

This announcement will remain on the "Latest Company Announcement" page of the GEM Website at www.hkgem.com for a minimum period of seven days from the day of its posting and on the website of the Company at www.irasia.com/listco/hk/longlife.