

# INTERIM REPORT 2010/2011



香港生命集團控股有限公司

HONG KONG LIFE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8212

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

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

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

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*This report, for which the board of directors (“**Directors**”) of Hong Kong Life Group Holdings Limited (“**Company**”, and together with its subsidiaries “**Group**”) collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months and six months ended 31 December 2010, together with comparative figures for the same corresponding period in 2009 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2010	2009	2010	2009
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Revenue</b>	2	<b>5,531</b>	–	<b>13,988</b>	3,073
<b>Cost of sales</b>		<b>(2,806)</b>	–	<b>(5,276)</b>	(3,065)
<b>Gross profit</b>		<b>2,725</b>	–	<b>8,712</b>	8
Other income		<b>78</b>	16	<b>183</b>	16
Selling and distribution expenses		<b>(1,903)</b>	–	<b>(5,701)</b>	–
Administrative and operating expenses		<b>(7,488)</b>	(9,672)	<b>(12,881)</b>	(15,664)
<b>Operating loss</b>	3	<b>(6,588)</b>	(9,656)	<b>(9,687)</b>	(15,640)
Finance costs	4	<b>(12,046)</b>	(8,893)	<b>(14,115)</b>	(17,791)
<b>Loss before taxation</b>		<b>(18,634)</b>	(18,549)	<b>(23,802)</b>	(33,431)
Income tax		–	–	–	–
<b>Loss for the period from continuing operations</b>		<b>(18,634)</b>	(18,549)	<b>(23,802)</b>	(33,431)
<b>Profit for the period from discontinued operations</b>		–	8,273	–	189,148
<b>Net (loss)/profit for the period</b>		<b>(18,634)</b>	(10,276)	<b>(23,802)</b>	155,717

## CONDENSED CONSOLIDATED INCOME STATEMENT

(Continued)

	For the three months ended 31 December		For the six months ended 31 December	
	2010	2009	2010	2009
	<i>Notes</i> <b>HK\$'000</b> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<b>HK\$'000</b> (Unaudited)	<i>HK\$'000</i> (Unaudited)
<b>Attributable to:</b>				
Owners of the Company	<b>(18,615)</b>	(10,305)	<b>(23,767)</b>	155,767
Non-controlling interests	<b>(19)</b>	29	<b>(35)</b>	(50)
	<b>(18,634)</b>	(10,276)	<b>(23,802)</b>	155,717
<b>Earnings/(loss) per share</b>	7			
From continuing and discontinued operations				
Basic	<b>(HK0.63 cent)</b>	(HK0.56 cent)	<b>(HK0.70 cent)</b>	HK8.63 cents
Diluted	<b>N/A</b>	N/A	<b>N/A</b>	HK7.63 cents
From continuing operations				
Basic	<b>(HK0.63 cent)</b>	(HK1.01 cents)	<b>(HK0.70 cent)</b>	(HK1.85 cents)
Diluted	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	For the three months ended 31 December		For the six months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
<b>Net (loss)/profit for the period</b>	<b>(18,634)</b>	(10,276)	<b>(23,802)</b>	155,717
<b>Other comprehensive income/(loss):</b>				
Exchange differences arising on translation of foreign operations	<b>13</b>	264	<b>73</b>	303
Reclassification adjustments relating to jointly-controlled entities disposed of during the period	-	-	-	(19,990)
<b>Total comprehensive (loss)/income for the period</b>	<b>(18,621)</b>	(10,012)	<b>(23,729)</b>	136,030
<b>Attributable to:</b>				
Owners of the Company	<b>(18,406)</b>	(10,119)	<b>(23,715)</b>	135,990
Non-controlling interests	<b>(215)</b>	107	<b>(14)</b>	40
<b>Total comprehensive (loss)/income for the period</b>	<b>(18,621)</b>	(10,012)	<b>(23,729)</b>	136,030

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2010</b>	2010
<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>1,291</b>	769
Prepaid lease payments	<b>141,977</b>	139,984
Goodwill	<b>904,550</b>	904,550
	<b>1,047,818</b>	1,045,303
<b>Current assets</b>		
Properties under development	<b>1,478</b>	15,890
Properties held for sale	<b>26,050</b>	–
Inventories	<b>73</b>	–
Trade and other receivables and prepayments	<b>8,732</b>	5,752
8		
Prepaid lease payment	<b>1,944</b>	3,888
Tax recoverable	<b>–</b>	10
Bank balances and cash	<b>2,824</b>	8,930
	<b>41,101</b>	34,470
<b>Total assets</b>	<b>1,088,919</b>	1,079,773
<b>EQUITY AND LIABILITIES</b>		
Share capital	<b>41,378</b>	33,837
Reserves	<b>720,173</b>	653,257
Equity attributable to owners of the Company	<b>761,551</b>	687,094
Non-controlling interests	<b>17,624</b>	17,638
<b>Total equity</b>	<b>779,175</b>	704,732

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At <b>31 December</b> <b>2010</b> <b>HK\$'000</b> <b>(Unaudited)</b>	At 30 June 2010 <i>HK\$'000</i> (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables and accrued liabilities	9	<b>20,000</b>	20,000
Borrowings	10	–	87,205
Convertible bonds	11	<b>174,537</b>	252,672
		<b>194,537</b>	359,877
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<b>Current liabilities</b>			
Trade and other payables and accrued liabilities	9	<b>20,685</b>	15,164
Borrowings	10	<b>94,522</b>	–
		<b>115,207</b>	15,164
		<b>309,744</b>	375,041
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<b>Total liabilities</b>		<b>309,744</b>	375,041
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<b>Total equity and liabilities</b>		<b>1,088,919</b>	1,079,773
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<b>Net current (liabilities)/assets</b>		<b>(74,106)</b>	19,306
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<b>Total assets less current liabilities</b>		<b>973,712</b>	1,064,609
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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Convertible bonds reserve	Translation reserve	Retained earnings/ (accumulated losses)	Discontinued operations	Total	Non-controlling interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>At 1 July 2010 (Audited)</b>	33,837	490,107	15,826	269,883	4,430	(126,989)	-	687,094	17,638	704,732
Total comprehensive (loss)/income for the period	-	-	-	-	52	(23,767)	-	(23,715)	(14)	(23,729)
Subscription of shares	741	11,856	-	-	-	-	-	12,597	-	12,597
Issue of shares on conversion of convertible bonds	6,800	167,447	-	(88,672)	-	-	-	85,575	-	85,575
<b>At 31 December 2010 (Unaudited)</b>	<b>41,378</b>	<b>669,410</b>	<b>15,826</b>	<b>181,211</b>	<b>4,482</b>	<b>(150,756)</b>	<b>-</b>	<b>761,351</b>	<b>17,624</b>	<b>779,175</b>
At 1 July 2009 (Audited)	17,628	96,722	15,826	10,712	4,090	(266,752)	19,990	(101,784)	15,055	(86,729)
Total comprehensive (loss)/income for the period	-	-	-	(10,712)	213	166,479	(19,990)	135,990	40	136,030
Placing of new shares	1,600	37,400	-	-	-	-	-	39,000	-	39,000
Loan capitalization	1,222	37,428	-	-	-	-	-	38,650	-	38,650
Shares issued on exercise of options	187	1,757	-	-	-	-	-	1,944	-	1,944
<b>At 31 December 2009 (Unaudited)</b>	<b>20,637</b>	<b>173,307</b>	<b>15,826</b>	<b>-</b>	<b>4,303</b>	<b>(100,273)</b>	<b>-</b>	<b>113,800</b>	<b>15,095</b>	<b>128,895</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December	
	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	<b>(16,624)</b>	(25,870)
Net cash (used in)/generated from investing activities	<b>(2,809)</b>	388,628
Net cash generated from financing activities	<b>13,239</b>	30,567
Net (decrease)/increase in cash and cash equivalents	<b>(6,194)</b>	393,325
Cash and cash equivalents at beginning of period	<b>8,930</b>	40,850
Effect of foreign exchange rates changes	<b>88</b>	748
Cash and cash equivalents at end of period, represented by bank balances and cash	<b>2,824</b>	434,923

Notes:

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 July 2010, the adoption has no significant impact on the Group's results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

The Interim Financial Statements have been prepared under the historical cost convention except that certain intangible assets and financial instruments are measured at fair values. The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the Group's audited financial statements for the year ended 30 June 2010.

The Interim Financial Statements are unaudited but have been reviewed by the Company's Audit Committee.

## 2. SEGMENT INFORMATION

For management purpose, the Group is currently organized into three operating divisions. These divisions are the basis on which the Group reports its primary segment information for the six months ended 31 December 2010. Principle activities are as follows:

Trading of natural resources	–	Trading of edible oil products and mineral materials
Provision of shrine	–	Provision of shrine for memorial of ancestor
Paper-offering	–	Paper-offering business

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 31 December 2009 and 2010, respectively.

## 2. SEGMENT INFORMATION (Continued)

## For the six months ended 31 December 2010

	Trading of natural resources HK\$'000 (Unaudited)	Provision of shrine HK\$'000 (Unaudited)	Paper- offering HK\$'000 (Unaudited)	Group HK\$'000 (Unaudited)
Revenue from external customers	–	13,952	36	13,988
Segment results	(17)	203	(173)	13
Unallocated expenses				(9,700)
Finance costs				(14,115)
Loss before taxation				(23,802)
Income tax				–
Loss for the period				(23,802)

## For the six months ended 31 December 2009

	Continuing operations		Discontinued operations			Group HK\$'000 (Unaudited)
	Trading of natural resources HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Gas related HK\$'000 (Unaudited)	Profit sharing of oilfield HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	
Revenue from external customers	3,073	3,073	18,323	–	18,323	21,396
Segment results	(4)	(4)	1,001	–	1,001	997
Unallocated expenses		(15,636)			–	(15,636)
Finance costs		(17,791)			(1,015)	(18,806)
Gain on disposal of jointly-controlled entities		–	197,707	–	197,707	197,707
Gain on termination of profit sharing arrangement		–	–	11,031	11,031	11,031
Profit/(loss) before taxation		(33,431)			208,724	175,293
Income tax		–	(16,818)	(2,758)	(19,576)	(19,576)
Profit/(loss) for the period		(33,431)			189,148	155,717

**2. SEGMENT INFORMATION** (Continued)

The following is an analysis of the Group's assets by operating segments:

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2010</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
<b>Segment assets:</b>		
Trading of natural resources	<b>1,369</b>	1,266
Provision of shrine	<b>1,080,514</b>	1,071,830
Paper-offering	<b>356</b>	414
Unallocated assets	<b>6,680</b>	6,263
	<b>1,088,919</b>	1,079,773

Since over 90% of the Group's revenue from external customers is generated in Hong Kong and over 90% of the assets of the Group are located in Hong Kong, in the opinion of the Directors, the presentation of geographic information is not meaningful to the users of financial statements, and accordingly, no geographic information is presented.

**3. OPERATING LOSS**

	<b>For the three months</b>		<b>For the six months</b>	
	<b>ended 31 December</b>		<b>ended 31 December</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Continuing operations				
Cost of inventories sold	<b>2,806</b>	–	<b>5,276</b>	3,065
Depreciation of plant and equipment	<b>164</b>	7	<b>255</b>	19
Amortisation of prepaid lease payment	<b>986</b>	–	<b>1,958</b>	–
Discontinued operations				
Cost of inventories sold	–	–	–	15,585
Depreciation of plant and equipment	–	–	–	2,041

**4. FINANCE COSTS**

	For the three months ended 31 December		For the six months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Continuing operations				
Interest expenses on borrowings	50	463	50	1,135
Imputed interest on convertible bonds	5,610	8,430	7,440	16,656
Imputed interest on promissory notes	6,386	–	6,625	–
	<b>12,046</b>	8,893	<b>14,115</b>	17,791
Discontinued operations				
Interests expenses on borrowings	–	–	–	1,015
	–	–	–	1,015
	<b>12,046</b>	8,893	<b>14,115</b>	18,806

**5. INCOME TAX**

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly are exempted from payment of the British Virgin Islands income taxes.

No Hong Kong Profits Tax had been made as the Group had no assessable profits derived from Hong Kong for the six months ended 31 December 2010 (2009: Nil).

PRC Enterprise Income Tax had not been provided for the PRC subsidiaries as they did not generate any assessable profits for the six months ended 31 December 2010 (2009: Nil).

**6. DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2010 (2009: Nil).

## 7. EARNINGS/(LOSS) PER SHARE

### (a) From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	For the three months ended 31 December		For the six months ended 31 December	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
<b>Earnings/(loss)</b>				
(Loss)/profit attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share (HK\$'000)	<b>(18,615)</b>	(10,305)	<b>(23,767)</b>	155,767
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds (net of tax) (HK\$'000)	–	–	–	16,656
(Loss)/earnings for the purpose of diluted earnings/(loss) per share (HK\$'000)	<b>(18,615)</b>	(10,305)	<b>(23,767)</b>	172,423
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share ('000)	<b>2,963,904</b>	1,840,507	<b>3,382,320</b>	1,804,406
Effect of dilutive potential ordinary shares:				
Share options ('000)	–	4,461	–	49,097
Convertible bonds ('000)	–	406,532	–	406,532
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	<b>2,963,904</b>	2,251,500	<b>3,382,320</b>	2,260,035

Diluted loss per share from continuing and discontinued operations for the three months ended 31 December 2009 and for the three months and six months ended 31 December 2010 did not assume the conversion of the convertible bonds outstanding since the conversion would have an anti-dilutive effect.

## 7. EARNINGS/(LOSS) PER SHARE *(Continued)*

### (b) From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to owners of the Company is based on the following data:

	For the three months ended 31 December		For the six months ended 31 December	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
(Loss)/profit attributable to owners of the Company <i>(HK\$'000)</i>	<b>(18,615)</b>	(10,305)	<b>(23,767)</b>	155,767
Less: profit from discontinued operations for the period <i>(HK\$'000)</i>	-	(8,273)	-	(189,148)
Loss for the purpose of basic loss per share from continuing operations <i>(HK\$'000)</i>	<b>(18,615)</b>	(18,578)	<b>(23,767)</b>	(33,381)

Diluted loss per share from continuing operations for the above periods did not assume the conversion of the convertible bonds and exercise of the share options outstanding since their conversion and exercise would have an anti-dilutive effect.

### (c) From discontinued operations

No basic earnings per share and diluted earnings per share from the discontinued operations has been presented for the three months and six months ended 31 December 2010 (three months and six months ended 31 December 2009 of HK0.45 cent and HK10.48 cents per share for basic earnings per share from discontinued operations, respectively. HK\$0.37 cent and HK8.37 cents per share for diluted earnings per share from discontinued operations for the three months and six months ended 31 December 2009, respectively. They are based on the profit for the three months and six months ended 31 December 2009 from discontinued operations of approximately HK\$8,273,000 and HK\$189,148,000, respectively and the denominators detailed above for both basic and diluted earnings per share).

**8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2010</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>4,357</b>	10
Other receivables and prepayments	<b>4,375</b>	5,742
	<b>8,732</b>	5,752
An aged analysis of trade receivables is as follows:		
Within 3 months	<b>1,787</b>	–
Over 3 months but within 1 year	<b>2,570</b>	10
	<b>4,357</b>	10

The fair value of the Group's trade receivables as at the above reporting dates approximates to the corresponding carrying amount.

**9. TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES**

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2010</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade payables	<b>30</b>	27
Accrued liabilities and other payables	<b>40,655</b>	35,137
	<b>40,685</b>	35,164
An aged analysis of trade payables is as follows:		
Over 90 days	–	27
Over 180 days	<b>30</b>	–
	<b>30</b>	27
Analysis of accrued liabilities and other payables for report purpose:		
Non-current liabilities	<b>20,000</b>	20,000
Current liabilities	<b>20,685</b>	15,164
	<b>40,685</b>	35,164

The fair value of the Group's trade payables as at the above reporting dates approximates to the corresponding carrying amount.



**10. BORROWINGS**

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2010</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Secured loans	<b>6,692</b>	–
Promissory note ( <i>Note</i> )	<b>87,830</b>	87,205
	<b>94,522</b>	87,205
<hr/>		
Borrowings are repayable as follows:		
On demand or within one year	<b>94,522</b>	–
In more than two years but not more than five years	–	87,205
	<b>94,522</b>	87,205
<hr/>		
Less: Amount shown under non-current liabilities	–	(87,205)
<hr/>		
Amount shown under current liabilities	<b>94,522</b>	–
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*Note:* The outstanding promissory note was settled in the principle amount of HK\$120 million on 5 January 2011.

**11. CONVERTIBLE BONDS**

The movements in the liability component of the convertible bonds are as follows:

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2010</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
At the beginning of the reporting period	<b>252,672</b>	–
Fair value at initial recognition	–	409,915
Imputed finance cost	<b>7,440</b>	2,555
Conversion during the period	<b>(85,575)</b>	(159,798)
	<b>174,537</b>	252,672
<hr/>		
At the end of the reporting period	<b>174,537</b>	252,672
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As a result of the share consolidation became effective on 3 December 2010 and the rights issue became unconditional on 30 December 2010, the conversion price of the convertible bonds has been adjusted from HK\$0.25 per share to HK\$1.193 per consolidated share with effect from 13 December 2010, based on which a total of 293,378,038 new shares will be issued upon conversion of the Convertible Bonds in full.

## 12. SHARE CAPITAL

	Number of shares		Nominal value	
	At 31 December 2010 '000 (Unaudited)	At 30 June 2010 '000 (Audited)	At 31 December 2010 HK\$'000 (Unaudited)	At 30 June 2010 HK\$'000 (Audited)
<b>Authorised:</b>				
At the beginning of the reporting period				
Ordinary shares of HK\$0.01 each	20,000,000	20,000,000	200,000	200,000
Share consolidation (Note 2)	(18,000,000)	-	-	-
<b>At the end of the reporting period</b>				
Ordinary shares of HK\$0.10 each for 31 December 2010 and HK\$0.01 each for 30 June 2010	2,000,000	20,000,000	200,000	200,000
<b>Issued and fully paid:</b>				
At the beginning of the reporting period				
Ordinary shares of HK\$0.01 each	3,383,671	1,762,841	33,837	17,628
Shares issued on exercise of options	-	18,670	-	187
Placing of shares	-	160,000	-	1,600
Subscription of shares (Note 1)	74,100	122,160	741	1,222
Issue of shares on conversion of convertible bonds	680,000	1,320,000	6,800	13,200
Share consolidation (Note 2)	(3,723,994)	-	-	-
<b>At the end of the reporting period</b>				
Ordinary shares of HK\$0.10 each for 31 December 2010 and HK\$0.01 each for 30 June 2010	413,777	3,383,671	41,378	33,837

## Notes:

- On 23 August 2010, the Company allotted and issued 74,100,000 shares of HK\$0.01 each to a subscriber at a price of HK\$0.17 per subscription share.
- On 27 October 2010, the Company proposed a share consolidation of every 10 issued and unissued shares of HK\$0.01 each into 1 consolidated share of HK\$0.10 each. As approved by shareholders on the extraordinary general meeting held on 2 December 2010, the share consolidation became effective on 3 December 2010.

**13. RELATED-PARTY TRANSACTIONS**

Compensation of key management personnel of the Group during the period was as follows:

	For the three months ended 31 December		For the six months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Short-term benefits	969	604	2,043	1,208
Post-employment benefits	12	6	24	12
	<b>981</b>	610	<b>2,067</b>	1,220

**14. OPERATING LEASES COMMITMENT**

	At 31 December 2010 HK\$'000 (Unaudited)	At 30 June 2010 HK\$'000 (Audited)
Within one year	517	531
After one year but within five year	98	609
	<b>615</b>	1,140

**15. CAPITAL COMMITMENTS**

	At 31 December 2010 HK\$'000 (Unaudited)	At 30 June 2010 HK\$'000 (Audited)
Capital expenditure in respect of the investment in a subsidiary authorized but not contracted for	–	44,667
Capital expenditure in respect of the properties under development authorized but not provided for	–	23,052
Capital expenditure in respect of the sole distribution right of the paper-offering business contracted but not provided for	518	414
	<b>518</b>	68,133

**16. EVENTS AFTER THE REPORTING PERIOD**

On 27 October 2010, the Company proposed a share consolidation of every ten issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.10 each and a rights issue on the basis of three rights shares for every one consolidated share held. On 4 January 2011, 1,241,331,426 rights shares were allotted and issued to the qualifying shareholders at a subscription price of HK\$0.20 per rights share. The rights shares rank *pari passu* in all respects with the existing shares of the Company. The rights issue was approved by shareholders on 2 December 2010 and completed on 4 January 2011.

On 5 January 2011, the Company settled the outstanding promissory note of HK\$120 million which is part of the consideration in relation to the acquisition of the entire equity interest in Casdon Management Limited ("Casdon") on 27 May 2010.

On 14 January 2011, the Company's wholly-owned subsidiary, Casdon, entered into a sales and purchase agreement with Advant Gain Holdings Limited ("Advant Gain") in relation to the acquisition of 50% equity interest in Max Strong Limited ("Max Strong"), a wholly-owned subsidiary of Advant Gain. Max Strong, through its wholly-owned subsidiary, Noble Best Investment Limited, holds 10% interests in the lands and houses (the "Land") in Yuen Long, Hong Kong whereas Casdon owns 90% interests in the Land.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 31 December 2010, the Group's business focus has been turned to the provision of ancestral shrine and paper-offering in Hong Kong. The Group's ancestral shrine development project ("Project") provides approximately 69,000 ancestral shrines at Yuen Long. Approximately 2,100 ancestral shrines were developed and held for sales during the period under review. The total number of ancestral shrine sold during the period was 190 and the corresponding recognized sales was approximately HK\$13.95 million.

Although small amount of orders were placed from customers in Hong Kong, the Group is confident that contribution from newly developed paper-offering products from SKEA will continue to grow and contribute to the total turnover.

To more accurately reflect the core business activities of the Group, the Company's name changed from "Aptus Holdings Limited" to "Hong Kong Life Group Holdings Limited" by passing a special resolution by the shareholders of the Company at the annual general meeting held on 21 October 2010. The change of name is to signify the Group's expansion and diversification of business. The new name will benefit the Group's future business development and reflect the Group's new corporate strategy.

The Group received certain complaints and orders from Buildings Department, Lands Department and the Planning Department about various aspects of the Project. As such, the Company has taken appropriate actions, with the advice from its solicitors and senior counsels, to ensure that the Group will be operating legally and for the best interest of its shareholders. So far, all works required by the Buildings Department have been completed and the Directors anticipate that the orders will be lifted in the next quarter. With regard to the Order from the Planning Department, the Group will lodge an application for leave to apply for judicial review against the Planning Department's claim about the permissible use of the Group's lands.

### Financial Review

The Group posted an unaudited consolidated revenue of approximately HK\$13.99 million for the six months ended 31 December 2010 (2009: HK\$3.07 million), representing an increase of approximately HK\$10.92 million or 355.7% as compared to the six months ended 31 December 2009. The significant increase was primarily attributable to the revenue contributed by the provision of shrine amounted to approximately HK\$13.95 million for the period under review.

The selling and distribution costs was a commission relating to provision of shrine and sales of paper-offering of approximately HK\$5.70 million for the six months ended 31 December 2010.

Loss from continuing operations decreased from approximately HK\$33.43 million for the six months ended 31 December 2009 to approximately HK\$23.80 million for the six months ended 31 December 2010 by approximately HK\$9.63 million was mainly due to gross profit generated from the shrine business and decrease in finance costs from approximately HK\$17.79 million to approximately HK\$14.12 million and in administrative and operating expenses from approximately HK\$15.66 million to approximately HK\$12.88 million.

To further strengthen the Group's financial resources and its operations as well as its future expansion, the Company had allotted and issued 74,100,000 new shares of HK\$0.01 each to a subscriber at a price of HK\$0.17 per share in August 2010. The Company proposed a rights issue of three rights shares for every one consolidated share of HK\$0.10 each at a price of HK\$0.20 per share on 27 October 2010. The rights issue was approved by shareholders at the extraordinary general meeting held on 2 December 2010.

## **Prospects**

Despite the recent Public Consultation on Review of Columbarium Policy held by the Hong Kong Government and more tighten policy on the use of land, it is expected that, being the only Hong Kong listed company engaged in the provision of shrine business in Hong Kong, demand for shrine in Hong Kong will continue to grow in the medium to long run. Coupled with the fact that there will only be limited supply of shrine for storage of ancestral properties and deceased cremated ashes in Hong Kong in the foreseeable future, with the strong support from the senior counsels, surveyors and other professional parties, the Group is in an advantageous position to bring into fruition value for its shareholders. Barring unforeseen circumstances, the Group is confident in gaining a stable stream of income from its project. The Group will continue with prudent investment strategy to search for quality relevant properties with primary focus on enhancing the synergistic value of its existing project.

## **Liquidity and financial resources**

As at 31 December 2010, the Group's cash and cash equivalents amounted to approximately HK\$2.82 million (30 June 2010: approximately HK\$8.93 million). The Group's total borrowings amounted to approximately HK\$269.06 million as at 31 December 2010 (30 June 2010: approximately HK\$339.88 million), comprising convertible bonds of approximately HK\$174.54 million (30 June 2010: approximately HK\$252.67 million), promissory note of approximately HK\$87.83 million (30 June 2010: approximately HK\$87.21 million), and short-term borrowings of approximately HK\$6.69 million (30 June 2010: Nil). The gearing ratio, expressed as a percentage of total debts over total assets was about 24.7% (30 June 2010: 31.5%).

The Group generally finances its operations with internally generated cash flows and capital fund raising activities. During the period, net proceeds of approximately HK\$12.59 million were raised from issuing and allotting of 74,100,000 subscription shares.

## **Contingent liabilities**

As at 31 December 2010, the Group had no contingent liabilities (31 December 2009: Nil).

## **Exposure to fluctuations in exchange rates and related hedges**

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, Renminbi or United States dollars. The Board considers its exposure to foreign exchange risk was not significant, therefore, no financial instrument was made to hedge such exposures.

## **Charge on Group Assets**

As at 31 December 2010, the Group's certain lands had been pledged to secure for a short-term borrowing facilities of approximately HK\$6.69 million (30 June 2010: Nil). The borrowing was settled before the date of this report.

## **Capital Structure**

During the six months ended 31 December 2010, a total of 680,000,000 shares of HK\$0.01 each were issued as a result of the conversion of HK\$170 million convertible bonds.

On 16 August 2010, the Company entered into a subscription agreement with a subscriber to issue and allot 74,100,000 shares of HK\$0.01 each to the subscriber at a price of HK\$0.17 per share.

On 16 November 2010, the Company repurchased 8 shares of HK\$0.01 each of the Company on the Stock Exchange at a cash consideration of HK\$0.42. These 8 shares were cancelled on 24 November 2010.

Upon the share consolidation becoming effective on 3 December 2010, every ten issued and unissued shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.10 each in the share capital of the Company.

As at 31 December 2010, the total number of issued shares of the Company was 413,777,142 shares of HK\$0.10 each (30 June 2010: 3,383,671,428 shares of HK\$0.01 each).

### **Material Acquisition and Disposal**

The Group did not make any material acquisition or disposal of subsidiaries during the six months ended 31 December 2010.

### **Significant Investment**

For the six months ended 31 December 2010, the Group did not have any significant investments.

### **Employees, Remuneration policies and Share Option Scheme**

As at 31 December 2010, the Group had 16 staffs (30 June 2010: 17 staffs). The total staff costs and Director's remuneration in the period was approximately HK\$3.53 million. The Group's remuneration policy is formulated on the basis of the performance and experience of individual employee and is in line with the market practices. The Group offers to its employees other fringe benefits including Mandatory Provident Fund and medical benefits. Share options may be granted to employees based on performance evaluation in order to provide incentives and rewards.



## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 31 December 2010, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

### **Share Option Scheme**

As at 31 December 2010, no share option had been granted or agreed to be granted to the Directors and chief executives under the share option scheme.

## **DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

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

As at 31 December 2010, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Capacity/ Nature of interest	Number of ordinary shares held	Percentage of shareholding (%)
Red Rabbit Capital Limited (Note 1)	Beneficial owner	91,313,000	22.07
Kong Lung Cheung (Note 1)	Interest in controlled corporation	91,313,000	22.07
Precise Result Profits Limited (Note 2)	Beneficial owner	40,059,642	9.68
China Success Enterprises Limited (Note 2)	Interest in controlled corporation	40,059,642	9.68
China Vanguard Group Limited (Note 2)	Interest in controlled corporation	40,059,642	9.68
Best Frontier Investments Limited (Note 2)	Interest in controlled corporation	40,059,642	9.68
Cheung Kwai Lan (Note 2)	Interest in controlled corporation	40,059,642	9.68
Chan Tung Mei (Note 2)	Interest of spouse	40,059,642	9.68

### Notes:

- Red Rabbit Capital Limited is wholly-owned by Mr. Kong Lung Cheung. Mr. Kong Lung Cheung was therefore deemed to be interested in the Shares held by Red Rabbit Capital Limited under the SFO.
- Precise Result Profits Limited is a wholly-owned subsidiary of China Success Enterprises Limited, which is a wholly-owned subsidiary of China Vanguard Group Limited. Best Frontier Investments Limited is interested in 60.38% of the issued share capital of China Vanguard Group Limited. Madam Cheung Kwai Lan and Mr. Chan Tung Mei have equity interests of 99.89% and 0.11%, respectively in the issued share capital of Best Frontier Investments Limited. Madam Cheung Kwai Lan and Mr. Chan Tung Mei are the spouse to each other. Each of China Success Enterprises Limited, China Vanguard Group Limited, Best Frontier Investments Limited, Madam Cheung Kwai Lan and Mr. Chan Tung Mei is deemed to be interested in the Shares held under the name of Precise Result Profits Limited under the SFO.

Save as disclosed above, as at 31 December 2010, so far as is known to the Directors and the chief executives of the Company, no other person has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

The Company issued and allotted 74,100,000 shares of HK\$0.01 each to a subscriber at a price of HK\$0.17 per share in August 2010.

On 16 November 2010, the Company repurchased 8 shares of HK\$0.01 each of the Company on the Stock Exchange at a cash consideration of HK\$0.42. These 8 shares were cancelled on 24 November 2010.

Save as disclosed above, during the six months ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business that competed or might compete with the business of the Group.

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' dealing in securities of the Company. The Company's Directors have complied with such code of conduct and the required standard of dealings.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Code on Corporate Governance Practices of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, interim report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control and financial reporting matters.

The audit committee consisted of three independent non-executive Directors, namely Ms. Li Mei Kuen, Mr. Yuen Shiu Hang Terry and Mr. So Chi Yin. Ms. Li Mei Kuen is the chairman of the audit committee. The Group's unaudited results for the six months ended 31 December 2010 had been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.

## REPORT ON CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions set out in the Code throughout the six months ended 31 December 2010, except the following deviation:

Code provision A.4.1 stipulates that non-executive directors should be appointed for specific terms. The Company has deviated from this provision in that the independent non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

By Order of the Board

**HONG KONG LIFE GROUP HOLDINGS LIMITED**

香港生命集團控股有限公司

**Lam Wai Pong**

*Chairman & Executive Director*

Hong Kong, 1 February 2011

As at the date of this report, the directors of the Company ("**Directors**") are:

*Executive Directors*

Mr. Lam Wai Pong

Mr. Lau Chi Kwong

Mr. Poon Lai Yin Michael

*Independent Non-executive Directors*

Ms. Li Mei Kuen

Mr. Yuen Shiu Hang Terry

Mr. So Chi Yin