

朗力福®

Longlife Group Holdings Limited

朗力福集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8037

Have a Beautiful Day!

2011 INTERIM REPORT



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

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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 directors (the “Directors”) of Longlife Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Longlife Group Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 31 March 2011 together with the comparative unaudited figures for the corresponding periods ended 31 March 2010, prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The unaudited consolidated results have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 March		Six months ended 31 March	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) (Restated) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) (Restated) HK\$'000
	Notes				
Turnover	3	26,366	27,229	44,702	50,548
Cost of sales		(10,473)	(13,888)	(20,536)	(23,637)
Gross profit		15,893	13,341	24,166	26,911
Other income		606	42	662	131
Administrative expenses		(5,362)	(3,501)	(8,755)	(7,326)
Selling and distribution expenses		(6,937)	(10,750)	(12,670)	(21,045)
Other expenses		(257)	(210)	(288)	(259)
Finance costs	4	(2,256)	(685)	(2,629)	(1,252)
Income tax expense	5	(1,207)	(97)	(1,236)	(107)
Profit/(Loss) for the period	6	480	(1,860)	(750)	(2,947)
Attributable to:					
Equity holders of the Company		586	(2,085)	(649)	(3,068)
Non-controlling interests		(106)	225	(101)	121
		480	(1,860)	(750)	(2,947)
Dividend	7	–	–	–	–
Earning/(Loss) per share	8				
– Basic		0.06 cent	(0.38) cent	(0.07) cent	(0.56) cent
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 31 March		Six months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit/(Loss) for the period	480	(1,860)	(750)	(2,947)
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	541	47	981	70
Total comprehensive income for the period	1,021	(1,813)	231	(2,877)
Attributable to:				
Equity holders of the Company	1,074	(2,047)	209	(3,011)
Non-controlling interests	(53)	234	22	134
	1,021	(1,813)	231	(2,877)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March 2011 (Unaudited) HK\$'000	At 30 September 2010 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		45,761	44,966
Prepaid lease payments		11,190	11,514
		56,951	56,480
CURRENT ASSETS			
Prepaid lease payments		999	425
Financial assets at fair value through profit or loss		35,583	19,485
Inventories		41,634	36,092
Trade and bills receivables	9	28,138	28,282
Prepayments and other receivables		10,895	18,267
Tax recoverable		–	44
Bank balances and cash		76,920	88,443
		194,169	191,038
CURRENT LIABILITIES			
Trade and bills payables	10	22,544	19,527
Other payables and accruals	11	58,087	61,711
Bank and other borrowings		21,501	18,124
Amount due to a non-controlling shareholder	12	896	971
Amount due to directors	12	–	468
Tax payable		1,144	–
		104,172	100,801

	<i>Notes</i>	At 31 March 2011 (Unaudited) HK\$'000	At 30 September 2010 (Audited) HK\$'000
NET CURRENT ASSETS		89,997	90,237
NET ASSETS		146,948	146,717
CAPITAL AND RESERVES			
Share capital	<i>13</i>	96,008	96,008
Reserves		46,194	45,985
Equity attributable to equity holders of the Company		142,202	141,993
Non-controlling interests		4,746	4,724
TOTAL EQUITY		146,948	146,717

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2011

	Attributable to equity holders of the Company										Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000 (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	
At 1 October 2009 (Audited)	53,340	15,479	-	22,443	15,479	3,098	27,813	(94,688)	42,964	6,214	49,178
Profit/(Loss) for the period	-	-	-	-	-	-	-	(3,068)	(3,068)	121	(2,947)
Other comprehensive income											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	57	-	57	13	70
Total comprehensive income for the period	-	-	-	-	-	-	57	(3,068)	(3,011)	134	(2,877)
Issue of ordinary shares by placing	10,668	12,268	-	-	-	-	-	-	22,936	-	22,936
Less: Share issue expenses in placing	-	(672)	-	-	-	-	-	-	(672)	-	(672)
At 31 March 2010 (Unaudited)	64,008	27,075	-	22,443	15,479	3,098	27,870	(97,756)	62,217	6,348	68,565
At 1 October 2010 (Audited)	96,008	79,168	8,574	22,443	15,479	3,098	28,376	(111,153)	141,993	4,724	146,717
Loss for the period	-	-	-	-	-	-	-	(649)	(649)	(101)	(750)
Other comprehensive income											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	858	-	858	123	981
Total comprehensive income for the period	-	-	-	-	-	-	858	(649)	209	22	231
At 31 March 2011 (Unaudited)	96,008	79,168	8,574	22,443	15,479	3,098	29,234	(111,802)	142,202	4,746	146,948

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 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 subsidiaries 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 PRC, those subsidiaries can make appropriation of net profit to the statutory enterprise expansion fund on a discretionary basis.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(13,039)	(13,210)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(2,719)	1,699
NET CASH INFLOW FROM FINANCING ACTIVITIES	3,377	37,456
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(12,381)	25,945
Cash and cash equivalents at beginning of period	88,443	2,128
Effect of foreign exchange rate changes	858	727
CASH AND CASH EQUIVALENTS AT END OF PERIOD	76,920	28,800

Notes:

1. Basis of preparation and principal accounting policies

(a) Basis of preparation

The condensed 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 disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted in the interim financial statements are consistent with those set out in the annual financial statements for the year ended 30 September 2010, except for the changes set out below.

(b) Changes in accounting policies

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations of Hong Kong Financial Reporting Standards and Interpretations (collectively, “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 October 2010.

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 32 (Amendment)	Classification of right issues
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 1 (Amendment)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HK (IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments
HK INT 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause

The adoption of the above new HKFRSs has no significant impact on the Group’s results and financial position.

Up to the date of issue of the financial reports, the HKICPA has issued a number of new and revised standards, amendments and interpretations which are not yet effective for the current period. These include the following which may be relevant to the Group:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKFRS 7 (Amendments)	Disclosures – transfers of financial assets ²
HKFRS 9	Financial instruments ⁵
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets ⁴
HKAS 24 (Revised)	Related party disclosures ³
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a minimum funding requirement ³

¹ Effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 July 2011

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2012

⁵ Effective for annual periods beginning on or after 1 January 2013

2. 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.

Condensed consolidated income statement

	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 asset at fair value through profit or loss		Consolidated	
	Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
	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	18,488	18,936	12,054	14,946	10,166	15,116	520	1,516	350	213	3,124	(179)	44,702	50,548
Segment results	355	868	82	(529)	260	701	4	(554)	(38)	(420)	3,123	(180)	3,786	(114)
Other income													662	131
Unallocated corporate expenses													(1,333)	(1,605)
Finance costs													(2,629)	(1,252)
Income tax expense													(1,236)	(107)
Loss for the period													(750)	(2,947)

Condensed consolidated statement of financial position

	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	
	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
Assets														
Segment assets	69,832	62,377	28,201	27,464	36,655	38,964	1,673	3,156	10,595	8,543	35,583	19,485	182,539	159,989
Unallocated corporate assets													68,581	87,529
Total assets													251,120	247,518
Liabilities														
Segment liabilities	40,622	41,764	29,182	29,272	23,206	15,638	1,566	2,835	3,115	4,433	-	-	97,611	94,142
Unallocated corporate liabilities													6,561	6,659
Total liabilities													104,172	100,801

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 corporate		Consolidated	
	Six months ended 31 March 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	Six months ended 31 March 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	Six months ended 31 March 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	Six months ended 31 March 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	Six months ended 31 March 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	Six months ended 31 March 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	Six months ended 31 March 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Capital expenditures	41	-	30	-	56	226	1	-	-	-	1,223	-	1,351	226
Depreciation of property, plant and equipment	575	645	262	301	770	738	11	30	47	47	9	-	1,674	1,761

3. Turnover

Turnover represents the amounts received and receivable from sales of goods less sales tax and discounts, if any, and income from trading of financial assets at fair value through profit or loss during the period.

4. Finance costs

	Three months ended 31 March		Six months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on:				
Bank and other borrowings wholly repayable within five years	809	345	1,182	912
Other borrowings wholly repayable within five years	1,408	340	1,408	340
Discounted bills interest	39	–	39	–
	2,256	685	2,629	1,252

5. Income tax expense

	Three months ended 31 March		Six months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
The amount comprises:				
Hong Kong profits tax				
– current period	–	–	–	–
Taxation arising in the PRC				
– current period	1,207	97	1,236	107
	1,207	97	1,236	107

The Company and its subsidiaries have no assessable profits arising in Hong Kong for the six months ended 31 March 2011 and 2010.

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.

6. Profit/(Loss) for the period

	Three months ended 31 March		Six months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit/(Loss) for the period has been arrived at after charging:				
Cost of inventories recognised as an expense	10,473	13,888	20,536	23,637
Depreciation of property, plant and equipment	777	831	1,674	1,761

7. Dividend

No dividend was paid or proposed during the six months ended 31 March 2011 nor has any dividend been proposed since the end of the reporting period (2010: nil).

8. Earning/(Loss) per share

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

	Three months ended 31 March		Six months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Earnings/(Loss)				
Profit/(loss) for the period attributable to equity holders of the Company	586	(2,085)	(649)	(3,068)

	Three months ended 31 March		Six months ended 31 March	
	2011 (Unaudited) '000	2010 (Unaudited) '000	2011 (Unaudited) '000	2010 (Unaudited) '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earning/(loss) per share	960,080	546,295	960,080	546,295

Diluted loss per share

No diluted loss per share have been presented for the three months and six months ended 31 March 2011 and 2010 as there was no dilutive potential ordinary share for these periods.

9. Trade and bills receivables

	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
Trade and bills receivables	50,584	49,674
Less: Allowance for bad and doubtful debts	(22,446)	(21,392)
	28,138	28,282

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

	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
0 – 90 days	13,471	10,365
91 – 180 days	6,125	8,762
181 – 365 days	4,802	9,147
Over 365 days	3,740	8
	28,138	28,282

Ageing analysis of trade receivables past due but not impaired:

	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
91 – 180 days	6,125	8,762
181 – 365 days	4,802	9,147
Over 365 days	3,740	8
	14,667	17,917

10. Trade and bills payables

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

	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
0 – 90 days	14,998	8,687
91 – 180 days	1,531	1,129
181 – 365 days	168	1,579
Over 365 days	5,847	8,132
	22,544	19,527

11. Other payables and accruals

	Notes	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
Salary and wages payable		1,563	3,221
Receipt in advance		672	763
Accruals		4,321	2,865
Provision for value-added tax, business tax and other government duties		16,248	17,786
Payable for construction work and related legal costs		2,936	4,089
Amount due to an ex-director, Mr. Yang Honggen	(a)	23,003	21,179
Advance from independent third parties	(b)	7,432	8,118
Others		1,912	3,690
		58,087	61,711

(a) Included in the balance is a loan of HK\$17,970,000, (30 September 2010: HK\$16,155,000) which is unsecured, bearing interest at 6.903% per annum (30 September 2010: 5% per annum) and has no fixed term of repayment. The remaining balance of the amount due to Mr. Yang Honggen is unsecured, interest-free and has no fixed terms of repayment.

(b) The advances were made by virtue of the relation with Mr. Yang Honggen, for general working capital of the Company.

12. Amounts due to a non-controlling shareholder and directors

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

13. Share capital

	Number of shares '000	Amount HK\$'000
Authorized:		
Ordinary shares of HK\$0.10 each		
At beginning and end of period	2,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At beginning and end of period	960,080	96,008

14. Operating lease commitments

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

	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
Within one year	1,651	1,649
In the second to fifth year inclusive	1,757	2,573
	3,408	4,222

Leases are negotiated and rentals are fixed for terms of 2 months to 3 years (30 September 2010: 1 year to 2 years).

15. Capital commitments

	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
Capital expenditures contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	119	394

16. Pledge of assets

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

	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
Property, plant and equipment	15,087	14,717
Prepaid lease payments	6,994	6,822
	22,081	21,539

17. Related party and connected transactions

(a) Outstanding balances with related parties

- (i) As at 31 March 2011, a secured bank borrowing amounting to approximately HK\$11,872,000 (30 September 2010: HK\$11,581,000) was guaranteed by the CEO of the Company, Mr. Yang Shunfeng.

- (ii) As at 31 March 2011, there were outstanding balances due to the following consolidated parties:

	31 March 2011 (Unaudited) HK\$'000	30 September 2010 (Audited) HK\$'000
Amounts due to directors:		
Mr. Cheung Hung	–	91
Mr. Zhang Sanlin	–	78
Mr. Chen Zhongwei	–	139
Mr. Tian Zhenyong	–	30
Mr. Wang Zhixin	–	120
Mr. Chong Cha Hwa	–	10
	–	468

- (iii) As at 31 March 2011, the amount due to Mr. Yang Shunfeng, the CEO was approximately HK\$279,000 (Unaudited) (30 September 2010: nil (Audited));

		At 31 March 2011 (Unaudited) HK\$'000	At 30 September 2010 (Audited) HK\$'000
Name of the related party	Nature		
Mr. Yang Honggen	interest-bearing loan*	17,970	16,155
(a family member of Mr. Chen Zhongwei, an executive director of the Company)	non interest-bearing payables**	5,033	5,024
		23,003	21,179

* The amount is unsecured, bearing interest at 6.903% (30 September 2010: 5%) per annum and has no fixed term of repayment.

** The amount is unsecured, interest-free and repayable on demand.

(b) *Transactions with related parties*

Details of the transactions with related parties during the period:

- (i) The Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office premises. Under the agreement, the Company shared 50% of the rent on a cost basis.
- (ii) The interest expense paid to Mr. Yang Honggen for his loan granted to the Group (see note 17(a) (iv) above for details) was approximately HK\$1,408,000 for the six months ended 31 March 2011 (Unaudited) (2010: approximately HK\$340,000 (Unaudited)).

(c) *Compensation of key management personnel*

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

	Three months ended 31 March		Six months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short-term benefits	769	334	1,549	499

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

18. 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 31 March 2011, the maximum rental liabilities of the Company due to default of rental payment of Capital VC Limited would be approximately HK\$3,163,000 (30 September 2010: approximately HK\$4,222,000).

19. Legal dispute

A dispute in relation to a construction contract between Jiangsu Longlife Special Equipment Technology Co. Ltd. ("Longlife Special Equipment"), 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. Longlife Special Equipment has to pay a construction fee of approximately RMB3,476,000 (equivalent to HK\$4,122,000). Up to 31 March 2011, Longlife Special Equipment has paid RMB1,000,000 (equivalent to HK\$1,186,000). The remaining balance has been fully settled as of the date of approval of these consolidated financial statements.

20. Discloseable transaction

On 31 March 2011, the Company entered into an agreement to dispose of the entire equity interest in Jiangsu Longlife Biochemistry Company Limited at a consideration of RMB7,200,000 (approximately HK\$8,496,000). Details are referred to the Company's announcement dated 4 March 2011. As of the date of approval of the consolidated interim report, the aforesaid transaction is still in progress and yet to complete.

21. Comparative figures

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

BUSINESS REVIEW

During the period under review, the Group's conversion on its sales model of PRC operations continued and decrease in the sales was resulted. In addition to the decrease in sales, the costs of raw materials and manpower keep rising under the influence of inflation in domestic economy squeezed the margin of the Company. To react to the demanding operating environment, the Group has implemented various cost control measures in the current period and the decrease in the net loss was resulted.

Revenue

For the six months ended 31 March 2011 ("Period 2011"), the Group recorded an unaudited turnover of approximately HK\$44,702,000. As compared to the turnover of approximately HK\$50,548,000 for the six months ended 31 March 2010 ("Period 2010"), the Group's turnover decreased by 11.6%. Excluding the profit of trading of financial asset at fair value through profit or loss of approximately HK\$3,124,000 (Period 2010: Loss of approximately HK\$179,000), the Group's turnover in relation to the PRC operations decreased by 18%, from approximately HK\$50,727,000 for Period 2010 to approximately HK\$41,578,000 for Period 2011. The significant decrease in sales for the Group's PRC operations was resulted from the conversion on its sales model to agent and dealership structure, and continuous effort in streaming inefficient sales network.

Gross profit

The gross profit decreased from approximately HK\$26,911,000 for Period 2010 to approximately HK\$24,166,000. Excluding the profit of trading of financial asset at fair value through profit or loss of approximately HK\$3,124,000 (Period 2010: Loss of approximately HK\$179,000), the Group's gross profit in relation to the PRC operations decreased by 22.3% from approximately HK\$27,090,000 for Period 2010 to approximately HK\$21,042,000 for Period 2011. Due to the impact of fierce competition with other manufacturers and the rise of operating costs due to inflation, the extent of decrease in gross profit of the Group's PRC operations is slightly higher than that of turnover.

Result for the period

Although the scale of the Group's PRC operations decreased from Period 2010 to Period 2011, the Group's financial performance improved in current period. Loss for the period decreased from approximately HK\$2,947,000 for Period 2010 to approximately HK\$750,000 for Period 2011. The improvement is principally thanks to the profit of trading of financial asset at fair value through profit or loss of approximately HK\$3,124,000 (Period 2010: Loss of approximately HK\$179,000) and decrease in selling and distribution expenses by HK\$8,375,000, from HK\$21,045,000 for Period 2010 to HK\$12,670,000 for Period 2011. As the Group considered that it was not a suitable time to expand the PRC operations, tightened cost control measures were implemented in the Group's selling and marketing activities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent policy for its financial resources management. The Group had cash and cash equivalents (excluding pledged bank deposits) of approximately HK\$76,920,000 as at 31 March 2011 (30 September 2010: approximately HK\$88,443,000).

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 31 March 2011, the Group had bank and other borrowings of approximately HK\$21,501,000 (30 September 2010: approximately HK\$18,124,000). 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 16 to the condensed consolidated financial statements.

The gearing ratio (defined as total borrowings to total assets) of the Group as at 31 March 2011 and 30 September 2010 were approximately 21% and approximately 19.7% respectively.

SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Company does not have any significant investment during the six months ended 31 March 2011.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2011 (2010: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars or RMB. The Group's major investment and financing strategies are to invest in domestic projects in the PRC or Hong Kong by RMB or Hong Kong dollars borrowings. As significant RMB depreciation is not expected in the foreseeable future and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the period. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB and Hong Kong dollars exchange rate movement.

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 31 March 2011, the maximum rental liabilities of the Company due to default of rental payment of Capital VC Limited would be HK\$3,163,000.

CAPITAL COMMITMENTS

Details of capital commitments are set out in note 15 to the condensed consolidated financial statements.

FUTURE OUTLOOK

The primary task of the Group is to continue deepening the business model of “asset minimization, focus on operation and full services”. The Group will conduct conversion and reduction of inefficient sales networks in Shanghai market, which may cause a continuous decrease in turnover, inventory level and full-time and part-time employees. After contraction of business, the utilization rate of assets will be significantly decreased and the Group will dispose of inefficient non-key assets in a positive way, which may result in a certain degree of accounting losses. The Directors believe that these actions will help to reduce losses, to turn around the operations, to rebuild the profitability and to increase the shareholders’ long-term value.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2011, the interests or short positions of the Directors and chief executive 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 Future Ordinance (“SFO”)) which require notification to the Company and the 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 Exchange were as follows:

Long positions in the ordinary shares in the Company

Name	Capacity	Number of ordinary shares	% to total issued share capital of the Company
Director			
Cheung Hung	Beneficial owner and family interest	8,500,000	0.89%
Zhang Sanlin	Beneficial owner	9,850,000	1.03%
Chief executive			
Yang Shunfeng	Beneficial owner	250,000	0.03%

Long positions in underlying shares of the Company

Share options granted

Name of director	Date of grant	Exercisable period	Subscription price per share	Aggregate long positions in underlying shares of the Company	Approximate percentage interest in the Company's issued share capital
Cheung Hung	9 April 2010	9 April 2010 to 8 April 2020	HK\$0.355	5,000,000	0.52%
Wang Zhixin	9 April 2010	9 April 2010 to 8 April 2020	HK\$0.355	5,000,000	0.52%

Save as disclosed above, none of the Directors nor the chief executives of the Company had, as at 31 March 2011, 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 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 Exchange.

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

As at 31 March 2011, 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 person had an interest or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly interested in 5% or more of the voting power at general meetings of the Company:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Capital VC Limited (Note)	Beneficial owner/ through controlled corporation	173,540,000	500,000	174,040,000	18.13%
Yau Chung Hong	Beneficial owner	64,205,000	–	–	6.69%

Note: 108,150,000 of these shares were held by CNI Capital Limited a company wholly-owned by Capital VC Limited.

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 31 March 2011.

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 six months ended 31 March 2011 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.

SHARE OPTION SCHEME

During the six months ended 31 March 2011, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 26 May 2004.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions and disposals of subsidiaries and associated companies for the six months ended 31 March 2011.

EMPLOYEES' REMUNERATION

As at 31 March 2011, the Group, directly and indirectly, had 559 employees which are mainly located in the PRC. The staff costs for the six months ended 31 March 2011 was approximately HK\$8,317,000.

The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are 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 are members of retirement benefits scheme according to the statutory requirements. The relevant subsidiaries is required to make contributions to the defined contribution pension scheme based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations.

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

DISCLOSURE OF INFORMATION ON DIRECTORS

There was no change of information on Directors during the six months ended 31 March 2011 which is required to be disclosed pursuant to rule 17.50 A (1) of the GEM Listing Rules.

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.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises of all three independent non-executive Directors, namely, Mr. Chong Cha Hwa, Ms. Chan Wai Yan and Mr. Sham Chi Keung William.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including review of the unaudited condensed consolidated results of the Company for the six months ended 31 March 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors during the six months ended 31 March 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 March 2011, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the code provisions of Code on Corporate Governance Practices ("CG Code") set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 31 March 2011, except for the following deviations:–

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

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

Hong Kong, 13 May 2011

Executive Directors as at date of this report:

Mr. Cheung Hung, Mr. Zhang Sanlin, Mr. Chen Zhongwei, Mr. Tian Zhenyong and Mr. Wang Zhixin

Independent non-executive Directors as at date of this report:

Mr. Chong Cha Hwa, Ms. Chan Wai Yan and Mr. Sham Chi Keung William