



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) (於開曼群島註冊成立之有限公司)
Stock code 股份代號 : 8212

INTERIM REPORT

2011/2012



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CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2011	2010	2011	2010
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	2	70	5,531	118	13,988
Cost of sales		(65)	(2,806)	(109)	(5,276)
Gross profit		5	2,725	9	8,712
Other income		–	78	–	183
Selling and distribution expenses		–	(1,903)	(1)	(5,701)
Administrative and operating expenses		(1,969)	(7,488)	(7,567)	(12,881)
Operating loss		(1,964)	(6,588)	(7,559)	(9,687)
Finance costs	3	(3,842)	(12,046)	(7,364)	(14,115)
Share of loss of a jointly controlled entity		(9)	–	(18)	–
Loss before taxation	4	(5,815)	(18,634)	(14,941)	(23,802)
Income tax expense	5	–	–	–	–
Loss for the period		(5,815)	(18,634)	(14,941)	(23,802)
Attributable to:					
Owners of the Company		(5,841)	(18,615)	(14,905)	(23,767)
Non-controlling interests		26	(19)	(36)	(35)
		(5,815)	(18,634)	(14,941)	(23,802)
Loss per share	7				
Basic		(HK\$1.4 cents)	(restated) (HK\$14.0 cents)	(HK\$4.5 cents)	(restated) (HK\$18.4 cents)
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	For the three months ended 31 December		For the six months ended 31 December	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net loss for the period	(5,815)	(18,634)	(14,941)	(23,802)
Other comprehensive loss:				
Exchange differences arising on translation of foreign operations	(52)	13	(50)	73
Total comprehensive loss for the period	(5,867)	(18,621)	(14,991)	(23,729)
Attributable to:				
Owners of the Company	(5,844)	(18,406)	(14,951)	(23,715)
Non-controlling interests	(23)	(215)	(40)	(14)
Total comprehensive loss for the period	(5,867)	(18,621)	(14,991)	(23,729)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2011 HK\$'000 (Unaudited)	At 30 June 2011 HK\$'000 (Audited)
<i>Notes</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	519	977
Prepaid lease payments	26,417	26,765
Investment in a jointly controlled entity	64,964	64,982
Goodwill	939,415	939,415
	1,031,315	1,032,139
Current assets		
Inventories	65	61
Properties held for sale	21,585	21,585
Properties under development	7,040	7,030
Trade and other receivables and prepayments	10,354	21,232
Financial assets at fair value through profit or loss	13,989	7,719
Bank balances and cash	10,053	20,976
	63,086	78,603
Current liabilities		
Trade and other payables and accrued liabilities	37,987	37,085
Non-current liabilities		
Convertible bonds	112,764	110,824
Deferred Tax	263	263
	113,027	111,087
NET ASSETS	943,387	962,570
Capital and reserves		
Share capital	11	213,700
Reserves	940,959	746,413
Equity attributable to owners of the Company	940,970	960,113
Non-controlling interests	2,417	2,457
Total Equity	943,387	962,570

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 31 December 2011

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Convertible bonds reserve HK\$'000	Share Options reserve HK\$'000	Translation reserves HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 July 2011 (Audited)	213,700	866,989	15,826	83,830	1,847	257	(222,336)	960,113	2,457	962,570
Total comprehensive loss for the period	-	-	-	-	-	(46)	(14,905)	(14,951)	(40)	(14,991)
Redemption of convertible bonds	-	-	-	(4,192)	-	-	-	(4,192)	-	(4,192)
Capital reduction on the par value of ordinary shares from HK\$2.00 each to HK\$0.0001 each	(213,689)	-	-	-	-	-	213,689	-	-	-
At 31 December 2011 (Unaudited)	11	866,989	15,826	79,638	1,847	211	(23,552)	940,970	2,417	943,387
At 1 July 2010 (Audited)	33,837	490,107	15,826	269,883	-	4,430	(126,989)	687,094	17,638	704,732
Total comprehensive income/(loss) 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
At 31 December 2010 (Unaudited)	41,378	669,410	15,826	181,211	-	4,482	(150,756)	761,551	17,624	779,175

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December	
	2011	2010
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(4,966)	(16,624)
Net cash used in investing activities	(5,904)	(2,809)
Net cash from financing activities	–	13,239
Net decrease in cash and cash equivalents	(10,870)	(6,194)
Cash and cash equivalents at beginning of period	20,976	8,930
Effect of foreign exchange rates changes	(53)	88
Cash and cash equivalents at end of period, represented by bank balances and cash	10,053	2,824

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 2011, 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 followed used in the Group's audited financial statements for the year ended 30 June 2011.

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 reportable segments. These reportable segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technology and marketing strategies. Principle activities of these reportable segments 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 2011 and 2010, respectively.

For the six months ended 31 December 2011

	Trading of natural resources <i>HK\$'000</i> (Unaudited)	Provision of shrine <i>HK\$'000</i> (Unaudited)	Paper- offering <i>HK\$'000</i> (Unaudited)	Group <i>HK\$'000</i> (Unaudited)
Revenue from external customers	–	–	118	118
Segment results	(10)	(1,864)	8	(1,866)
Unallocated expenses				(5,693)
Finance costs				(7,364)
Share of loss of a jointly controlled entity				(18)
Loss before taxation				(14,941)
Income tax expense				–
Loss for the period				(14,941)

For the six months ended 31 December 2010

	Trading of natural resources <i>HK\$'000</i> (Unaudited)	Provision of shrine <i>HK\$'000</i> (Unaudited)	Paper- offering <i>HK\$'000</i> (Unaudited)	Group <i>HK\$'000</i> (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 expense				–
Loss for the period				(23,802)

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

	At	At
	31 December	30 June
	2011	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment assets:		
Trading of natural resources	1,160	1,223
Provision of shrine	998,755	1,000,718
Paper-offering	367	548
Unallocated assets	94,119	108,253
	1,094,401	1,110,742

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. FINANCE COSTS

	For the three months		For the six months	
	ended 31 December		ended 31 December	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on borrowings	–	50	–	50
Imputed interest on convertible bonds	3,842	5,610	7,364	7,440
Imputed interest on promissory notes	–	6,386	–	6,625
	3,842	12,046	7,364	14,115

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following items:

	For the three months ended 31 December		For the six months ended 31 December	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	65	2,806	109	5,276
Depreciation for plant and equipment	16	164	157	255
Amortisation of prepaid lease payment	170	986	348	1,958

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 2011 (2010: 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 2011 (2010: Nil).

6. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2011 (2010: Nil).

7. LOSS PER SHARE

The calculation of basic 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	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
Loss attributable to owners of Company for the purpose of calculating basic loss per share (HK\$'000)	(5,841)	(18,615)	(14,905)	(23,767)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	427,400	(restated) 133,200	329,842	(restated) 128,959

Diluted loss per share for all the above periods have not been presented as the outstanding convertible bonds and share options had anti-dilutive effects.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December 2011 HK\$'000 (Unaudited)	At 30 June 2011 HK\$'000 (Audited)
Trade receivables	3,163	3,596
Other receivables and prepayments	7,191	17,636
	10,354	21,232

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

0 to 90 days	–	15
181 to 365 days	3,163	3,581
	3,163	3,596

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

9. TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES

	At	At
	31 December	30 June
	2011	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	26	45
Other payables and accrued liabilities	37,961	37,040
	37,987	37,085

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

0 to 90 days	–	18
Over 365 days	26	27
	26	45

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

10. CONVERTIBLE BONDS

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

	At	At
	31 December	30 June
	2011	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At the beginning of the reporting period	110,824	252,672
Imputed finance cost	7,364	22,486
Conversion to ordinary shares	–	(164,334)
Redemption during the period	(5,424)	–
At the end of the reporting period	112,764	110,824

As a result of the share consolidation effective from 23 August 2011, the conversion price of the convertible bonds was adjusted from HK\$1.193 per share to HK\$23.86 per share and the number of shares to be issued was adjusted from 159,262,363 shares of HK\$0.10 each to 7,963,118 shares of HK\$2.00 each.

11. SHARE CAPITAL

	Number of shares		Nominal value	
	At 31 December 2011 '000 (Unaudited)	At 30 June 2011 '000 (Audited)	At 31 December 2011 HK\$'000 (Unaudited)	At 30 June 2011 HK\$'000 (Audited)
Authorised:				
At the beginning of the reporting period, ordinary shares of HK\$0.1 each for 1 July 2011 and HK\$0.01 each for 1 July 2010	10,000,000	20,000,000	1,000,000	200,000
Share consolidation of 10 ordinary shares of HK\$0.01 each into 1 ordinary share of HK\$0.1 each (a)	-	(18,000,000)	-	-
Share consolidation of 20 ordinary shares of HK\$0.1 each into 1 ordinary share of HK\$2.00 each (b)	(9,500,000)	-	-	-
Share sub-division of 1 ordinary share of HK\$2.00 each into 20,000 ordinary shares of HK\$0.0001 each (c)	9,999,500,000	-	-	-
Increase during the period	-	8,000,000	-	800,000
<hr/>				
At the end of the reporting period, ordinary shares of HK\$0.0001 each for 31 December 2011 and HK\$0.1 each for 30 June 2011	10,000,000,000	10,000,000	1,000,000	1,000,000
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	Note	Number of shares		Nominal value	
		At 31 December 2011 '000 (Unaudited)	At 30 June 2011 '000 (Audited)	At 31 December 2011 '000 (Unaudited)	At 30 June 2011 '000 (Audited)
Issued and fully paid:					
At the beginning of the reporting period, ordinary shares of HK\$0.1 each for 1 July 2011 and HK\$0.01 each for 1 July 2010		2,137,002	3,383,671	213,700	33,837
Placing of shares, at HK\$0.01 each	(d)	-	74,100	-	741
Issue of shares on conversion of convertible bonds, at HK\$0.01 each	(e)	-	680,000	-	6,800
Share consolidation of 10 ordinary shares of HK\$0.01 each into 1 ordinary share of HK\$0.1 each	(f)	-	(3,723,994)	-	-
Rights issue of shares, at HK\$0.1 each	(g)	-	1,241,332	-	124,133
Placing of shares, at HK\$0.1 each	(h)	-	356,160	-	35,616
Issue of shares on conversion of convertible bonds, at HK\$0.1 each	(i)	-	125,733	-	12,573
Share consolidation of 20 ordinary shares of HK\$0.1 each into 1 ordinary share of HK\$2.00 each	(b)	(2,030,152)	-	-	-
Capital reduction on the par value of ordinary shares from HK\$2.00 each to HK\$0.0001 each	(c)	-	-	(213,689)	-
At the end of the reporting period, ordinary shares of HK\$0.0001 each for 31 December 2011 and HK\$0.1 each for 30 June 2011		106,850	2,137,002	11	213,700

Notes:

- (a) In 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 at the extraordinary general meeting held on 2 December 2010, the share consolidation became effective on 3 December 2010.
- (b) In July 2011, the Company proposed a share consolidation of every 20 issued and unissued shares of HK\$0.01 each into 1 consolidated share of HK\$2.00 each. As approved by shareholders at the extraordinary general meeting held on 22 August 2011, the share consolidation became effective on 23 August 2011.

- (c) In July 2011, the Company proposed a capital reduction of the par value of each issued ordinary share from HK\$2.00 to HK\$0.0001 by cancelling the paid up capital to the extent of HK\$1.9999 on each issued ordinary share. Immediately following the aforesaid capital reduction, each of the authorized but unissued shares of HK\$2.00 each is sub-divided into 20,000 unissued shares of HK\$0.0001. Upon receipt of the order granted by the Grand Court of the Cayman Islands and other relevant documents duly filed and registered with the Registrar of Companies in the Cayman Islands, the capital reduction and the share sub-division became effective on 20 December 2011.
- (d) In August 2010, the Company entered into a subscription agreement for placing 74,100,000 shares to an independent investor at a price of HK\$0.17 per placing share. The placing was completed in August 2010.
- (e) During the period ended 30 June 2011, the Company allotted and issued 680,000,000 shares of HK\$0.01 each as a result of conversion of convertible bonds into shares.
- (f) In 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.
- (g) In October 2010, the Company proposed a rights issue on the basis of three rights shares for every one consolidated share held. In January 2011, 1,241,331,426 rights shares were allocated and issued to the qualifying shareholders at a subscription price of HK\$0.20 per rights share. The rights 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 in January 2011.
- (h) In May 2011, the Company entered into a placing agreement with a placing agent for placing an aggregate of 356,160,000 shares to not less than 6 independent places at a price of HK\$0.10 per placing share. The placing was completed in May 2011.
- (i) During the period ended 30 June 2011, the Company allotted and issued 125,733,444 shares of HK\$0.10 as a result of conversion of convertible bonds into shares.

12. 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	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Short-term benefits	1,260	969	2,430	2,043
Post-employment benefits	11	12	23	24
	1,271	981	2,453	2,067

13. OPERATING LEASE COMMITMENTS

	At	At
	31 December	30 June
	2011	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	90	488
After one year but within five year	–	141
	90	629

14. CAPITAL COMMITMENTS

	At	At
	31 December	30 June
	2011	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Capital expenditure in respect of sole distribution right of the paper-offering business	462	488
	462	488

15. EVENT AFTER THE REPORTING PERIOD

On 4 January 2012, the Company entered into a placing agreement with the placing agent, Pico Zeman Securities (HK) Limited, whereby the Company conditionally agreed to place, through the placing agent, on a best effort basis, a maximum of 21,000,000 placing shares to not less than six independent placees at a price of HK\$0.29 per placing share. On 18 January 2012, the Board announced that all conditions of the placing were fulfilled and the completion of the placing took place on 18 January 2012. Details of the placing were set out in the Company's announcements dated 4 January and 18 January 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Group was still confronted by a harsh and severe situation and, owing to the fact that, being the core business of the Group, the shrine business was materially adversely affected by the government's columbarium policy and the judicial review proceedings of the Group.

By judgment of the High Court made on 3 October 2011 (the "Judgment"), the Court ordered that the Company's application for judicial review was dismissed. As a nutshell, the Judge having considered the planning intention, the context of the Outline Zoning Plan ("OZP") and the meaning of "shrine", the Judge came to the view that the use of the land by the project of the Company in Yuen Long, Hong Kong ("The Shrine") plainly falls outside the scope of a use serving the needs of the villagers and in support of the village development; and in conclusion, the Judge adjudged that The Shrine is not a shrine within the meaning of Paragraph (9)(b) in the context of the OZP but rather, it is a columbarium and the Judicial Review fails. The Group has subsequently submitted the notice of appeal to the Court of Appeal appealing against the judgment on 27 October 2011. The High Court has then fixed the date of the hearing of the appeal of the judicial review on 21 June 2012. In any event, the Group is confident that a favourable judgement will be handed down by the High Court as a result of the hearing.

In June 2011, the Company entered into a memorandum of understanding ("MOU") with the vendor in relation to a proposed acquisition of cemetery business in Guangdong Province, PRC ("Proposed Acquisition"). As the Company was unable to conduct its due diligence review owing to the re-structuring of the target company proposed to be acquired, a written notice was given to the vendor to terminate the MOU and not to proceed further with the Proposed Acquisition on 31 October 2011.

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

Financial Review

The Group posted an unaudited consolidated revenue of approximately HK\$118,000 for the six months ended 31 December 2011 (2010: HK\$13.99 million), representing an decrease of HK\$13.87 million or 99.2% compared to the six months ended 31 December 2010.

Operating loss decreased from approximately HK\$9.7 million for the six months ended 31 December 2010 to approximately HK\$7.6 million for the six months ended 31 December 2011, representing a reduction of 22.0% over the corresponding period. This is mainly attributable to the decrease of approximately 59.3% in the aggregate amount of selling and administrative expenses.

Finance costs have also reduced substantially by approximately 47.8% from HK\$14.1 million for the six months ended 31 December 2010 to HK\$7.4 million for the six months ended 31 December 2011. This is resulted from savings in imputed interest on promissory notes due to repayment of the promissory notes during the year ended 30 June 2011.

Prospects

With the increased promotion and more newly developed paper-offering products from SKEA, the brand name "SKEA" will be widely-recognized. The registration of patents regarding the paper-offering products in the PRC is in the process. Once the registration is completed, more resources will be granted to the development of the paper-offering business in the PRC.

The Board will continue to explore other potential investment opportunities so as to diversify its business and strengthen the profitability of the Group.

Liquidity and financial resources

As at 31 December 2011, the Group's cash and cash equivalents amounted to approximately HK\$10.0 million (30 June 2011: approximately HK\$21.0 million). The Group's borrowings as at 31 December 2011 consisted of convertible bonds of HK\$112.8 million (30 June 2011: HK\$110.8 million) only. The gearing ratio, expressed as a percentage of total debts over total assets was about 13.8% (30 June 2011: 13.3%).

Contingent liabilities

As at 31 December 2011, the Group had no contingent liabilities (30 June 2011: 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 mainly in Hong Kong 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 2011, the Group did not have any charge on its assets (30 June 2011: Nil).

Capital Structure

During the six months ended 31 December 2011, the Company entered into the following share transactions:

- (a) In July 2011, the Company proposed a share consolidation of every 20 issued and unissued shares of HK\$0.01 each into 1 consolidated share of HK\$2.00 each. As approved by shareholders at the extraordinary general meeting held on 22 August 2011, the share consolidation became effective on 23 August 2011, resulting in the authorized share capital of HK\$10,000,000,000 divided into 500,000,000 ordinary shares of HK\$2.00 each and in the issued share capital of 106,850,100 of HK\$2.00 each.
- (b) In July 2011, the Company proposed a capital reduction of the par value of each issued ordinary share from HK\$2.00 to HK\$0.0001 by cancelling the paid up capital to the extent of HK\$1.9999 on each issued ordinary share. Immediately following the aforesaid capital reduction, each of the authorized but unissued shares of HK\$2.00 each is sub-divided into 20,000 unissued shares of HK\$0.0001. Upon receipt of the order granted by the Grand Court of the Cayman Islands and other relevant documents duly filed and registered with the Registrar of Companies in the Cayman Islands, the capital reduction and the share sub-division became effective on 20 December 2011.

Material Acquisition and Disposal

The Group did not make any material acquisition or disposal of subsidiaries during the six months ended 31 December 2011.

Significant Investment

The Group has invested in shares of certain companies which are traded on the Stock Exchange. As at 31 December 2011, the Group held a balance of financial assets at fair value though profit and loss amounted to approximately HK\$14.0 million (30 June 2011: HK\$7.7 million).

Employees, Remuneration policies and Share Option Scheme

As at 31 December 2011, the Group had 8 employees (30 June 2011: 15). The aggregate staff costs and Director's remuneration in the period amounted to approximately HK\$4.0 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 2011, the interests and short positions of the Directors and chief executive of the Company and their respective associates 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, were as follows:

Long positions in the shares and underlying shares of the Company

Name of Directors	Nature of interests/ Capacity	Number of shares	Number of underlying shares	Approximate percentage of issued share capital
Mr. Lam Wai Pong	Personal	–	297,000 (note 1)	0.28%
Mr. Lau Chi Kwong	Personal	–	297,000 (note 2)	0.28%
Mr. Poon Lai Yin Michael	Personal	–	296,000 (note 3)	0.28%

Notes:

1. The personal interest of Mr. Lam Wai Pong represents an interest in 297,000 underlying shares in respect of options granted by the company as detailed below.
2. The personal interest of Mr. Lau Chi Kwong represents an interest in 297,000 underlying shares in respect of options granted by the company as detailed below.
3. The personal interest of Mr. Poon Lai Yin Michael represents an interest in 296,000 underlying shares in respect of options granted by the Company as detailed below.

Share Option Scheme

Details of movements in the share options under the share option scheme during the period ended 31 December 2011 are as follows:

Name	Date of grant	Number of share options granted	Share consolidation	Exercised/ Lapsed during the period	Number of share options outstanding as at 31 December 2011	Exercised price (HK\$ per share)	Exercised period
Mr. Lam Wai Pong	2 February 2011	5,940,000	(5,643,000)	-	297,000	3.6	2 February 2011 to 1 February 2016
Mr. Lau Chi Kwong	2 February 2011	5,940,000	(5,643,000)	-	297,000	3.6	2 February 2011 to 1 February 2016
Mr. Poon Lai Yin Michael	2 February 2011	5,920,000	(5,624,000)	-	296,000	3.6	2 February 2011 to 1 February 2016

Save as disclosed above, during the period ended 31 December 2011, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

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 2011, 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 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 were as follows:

Name of Shareholders	Capacity/ Nature of interest	Number of ordinary shares held	Percentage of shareholding
Red Rabbit Capital Limited (<i>note</i>)	Beneficial owner	18,264,100	17.09
Kong Lung Cheung (<i>note</i>)	Interest in controlled corporation	18,264,100	17.09
Zhang Ming	Beneficial owner	7,500,000	7.02

Note: Mr. Kong Lung Cheung has equity interest of 100% of the issued share capital of Red Rabbit Capital Limited. The shares referred to herein relates to the same parcel of shares held by Red Rabbit Capital Limited.

Save as disclosed above, as at 31 December 2011, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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

In July 2011, the Company repurchased 12 shares of HK\$0.10 each of the Company on the Stock Exchange at a cash consideration of HK\$0.33. These 12 shares were cancelled on 12 August 2011.

Save as disclosed above, during the six months ended 31 December 2011, 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. Chan Wan Yee, Mr. Siu Kwok Chung and Mr. Sit Bun. Ms. Chan Wan Yee is the chairman of the audit committee. The Group's unaudited results for the six months ended 31 December 2011 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 2011, 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, 14 February 2012