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

ANNUAL REPORT

2011/12

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

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This report for which the directors (the "Directors") of Longlife Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable 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.

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Executive Directors
Mr. Cheung Hung *(Chairman)*
Mr. Wang Zhixin
Mr. See Ching Chuen

Independent Non-executive Directors
Mr. Chong Cha Hwa
Mr. Sham Chi Keung, William
Mr. Yeung Chi Tit

Audit Committee
Mr. Chong Cha Hwa *(Committee Chairman)*
Mr. Sham Chi Keung, William
Mr. Yeung Chi Tit

Remuneration Committee
Mr. Yeung Chi Tit *(Committee Chairman)*
Mr. Chong Cha Hwa
Mr. Sham Chi Keung, William
Mr. Wang Zhixin

Nomination Committee
Mr. Cheung Hung *(Committee Chairman)*
Mr. Chong Cha Hwa
Mr. Sham Chi Keung, William
Mr. Yeung Chi Tit

Compliance Officer
Mr. Wang Zhixin

Chief Executive Officer ("CEO")
Mr. Yang Shunfeng

Company Secretary
Mr. Yu Yun Kong

Authorised Representatives
Mr. Cheung Hung
Mr. Yu Yun Kong

Auditor
Cheng & Cheng Limited
Certified Public Accountants

Registered Office
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P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong
Suite 7602A, Level 76
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Principal Bankers
The Agriculture Bank of China
China Construction Bank
China CITIC Bank
Hang Seng Bank
CITIC Bank International Limited

Principal Share Registrar and Transfer Office
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
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Hong Kong Branch Share Registrar and Transfer Office
Union Registrars Limited
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Website
www.longlife.com.hk

Stock Code
08037

CHAIRMAN'S STATEMENT

On behalf of Longlife Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I would like to present the audited consolidated results of the Group for the year ended 30 September 2012 to the shareholders.

Business Review

In the fiscal year of 2011/12 ("FY 2011/12"), the Group's transformation of consumer goods businesses into a wholesale and distribution model has been matured, which resulted in effective cost control and expansion in sales. The turnover of consumer goods businesses for FY 2011/12 increased by 14.4% to approximately HK$61.3 million as compared to that for the fiscal year of 2010/11 ("FY 2010/11"), and gross margin increased from 50.4% for the FY 2010/11 to 62.8% for FY 2011/12.

Although the general performance of consumer goods business is satisfactory, an unforeseen event happened in April 2012. The State Food and Drug Administration ("SFDA") issued an announcement accusing that Zhejiang Xinda Zhongshan Capsules Company Limited ("ZS Capsules") (a subsidiary of the Company classified as assets held for sale as at the year end date) has committed serious misconduct. The SFDA has directed Zhejiang Food and Drug Administration ("ZJFDA") to revoke the manufacturing and production licence of ZS Capsules in accordance with statutory procedures, and relevant individuals are under criminal investigation by the relevant authorities. The relevant authorities have also seized control of the financial statements and related books and records of ZS Capsules, which made our auditors unable to obtain sufficient information to perform the audit in respect of ZS Capsules. As a result, a qualified opinion arising from limitation of audit scope was issued on the Group's financial statements for the year ended 30 September 2012.

In view the revocation of the manufacturing and production licence of ZS Capsules, which may lead to unfavourable impact on the Group, including potential lawsuits, contingent liabilities, net cash outflow for maintaining the existence of ZS Capsules and overall negative image brought to the Group, the Group disposed of its stake in ZS Capsules on 14 December 2012. We believe the disposal is beneficial to the Group for its further development.

Owing to unstable atmosphere covering the investment market, the Group decided to allocate more resources on the consumer goods businesses and develop other business potentials. As such, investments in financial assets have been recorded as other revenue from 16 May 2012 onwards. The overall performance of the Group's financial assets investments improved and related loss generated reduced from approximately HK$27.2 million in FY 2010/11 to approximately HK$4.1 million in FY 2011/12.

The Board recognizes the importance of business expansion, whereby the Group is able to diversify business risk and bring the value generated from new business potentials to shareholders of the Company. In the July 2012, the Group launched a new business model – synthetic rubber trading, which brought turnover and gross profit of approximately HK$33.4 million and approximately HK$0.5 million during the last quarter of FY 2011/12.

CHAIRMAN'S STATEMENT

Future Outlook

Looking forward, it is expected that the operating environment of the domestic consumer business will continue to be tough, due to the impetus of inflation and the pressure of wages increment in China. In order to tackle the anticipated challenges and stay competitive, the Group will continue its policy of implementation of cost control measures.

With respect to the new business, commodity trading is a broad category where the players range from individual ranchers hedging feed prices right on through to large multi-national trading houses. For several decades, oil and its associated products, including synthetic rubber, have been the dominant source of energy for the globe and foreseeably the situation will remain at least in the next few decades, especially China will constantly play the role of net importer of the energy goods supported by its huge market and economy growth. The Group is dedicating to step into the energy-related commodity trading to generate the new input of future development in long term aspects.

Along with the completion of the re-engineering of the business model of the Group's domestic consumer goods business and the launch of new commodity trading business, we have optimistic outlook for our operations, and believe that the substantial efforts which we have exerted will result in rising revenues and an enhancement of shareholders' value in the long run.

Appreciation

The Board would like to take this opportunity to express our gratitude to all management team and staff members for their dedication and contribution in the past year. We would also like to extend our sincere thanks and appreciation to our shareholders and business partners for their continued support to as well as their confidence in the Group.

Cheung Hung
Chairman
Hong Kong, 19 December 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

With the full-fledged implementation of the business model of "asset minimization, focus on operation and full services", the sales in the segments of the traditional consumer goods businesses increased in the period under review.

Since the Group classified its investment in ZS Capsules as assets held for sale as at the reporting date and disposed of it subsequent to the year end date on 14 December 2012, the turnover, cost of sales and various expenses of ZS Capsules for the last year were included in the loss from discontinued operation, net of tax in the consolidated statement of comprehensive income for the year ended 30 September 2012, as comparative figures.

As the Group has focused on the consumer products businesses in the PRC and been exploring new business opportunities, investment in financial assets was no longer considered as a principal business of the Group from 16 May 2012 onwards.

Turnover

Turnover of the Group for the year ended 30 September 2012 was approximately HK$101.4 million, principally representing those for the traditional consumer goods businesses of approximately HK$61.3 million, net gain derived in the Group's investments in financial assets of approximately HK$6.7 million and sales of synthetic rubber, a new business segment of the Group launched in the current year, of approximately HK$33.4 million. For the year ended 30 September 2011, the turnover of approximately HK$26.4 million substantially represented the sales of the traditional consumer goods of approximately HK$53.6 million and net loss on financial assets at FVTPL of HK$27.2 million.

The sales for traditional consumer goods businesses for the last year has been restated from approximately HK$72.1 million to HK$53.6 million, as the Group classified its investment in ZS Capsules as assets held for sale as at the reporting date as mentioned above and disposed of it subsequent to the year end date on 14 December 2012. The turnover of approximately HK$18.5 million generated by ZS Capsules in last year was included in the loss from discontinued operation, net of tax in the consolidated statement of comprehensive income for the year ended 30 September 2012, as comparative figures.

The increase in sales for traditional consumer goods businesses of approximately HK$7.7 million, or approximately 14.4%, was mainly attributable to the mature transformation of the Group's business model of "asset minimization, focus on operation and full services".

In connection with the Group's business of financial assets investment, as benefited from the easing of monetary policies adopted by major central banks worldwide, the global investment atmosphere has turned optimistic since the third quarter of 2012, especially after the announcement of Part 3 of Quantitative Easing by the Federal Reserve in September 2012. Accordingly, the performance of the Group's investment in financial assets improved as compared to that of last year. The loss on investment in financial assets decreased significantly from approximately HK$27.2 million for the last year to approximately HK$4.1 million for the current year.

As mentioned above, investment in financial assets was no longer considered as a principal business of the Group, and its result has been recorded as other revenue from 16 May 2012 onwards, to reflect the Group's focus on the consumer products businesses in the PRC and developing other potential businesses. The overall loss on investment in financial assets of approximately HK$4.1 million was disclosed as a gain under turnover of approximately HK$6.7 and a loss under other revenue of approximately HK$10.8 million.

During the last quarter of this fiscal year, the Group successfully launched a new business segment – synthetic rubber trading. Turnover of approximately HK$33.4 million was generated from this segment in the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

Gross profit for the year ended 30 September 2012 was approximately HK$45.6 million, representing those for traditional consumer goods businesses of approximately HK$38.4 million, synthetic rubber trading of approximately HK$0.5 million and gain of investments in financial assets of approximately HK$6.7 million.

In connection with the traditional consumer goods businesses, gross profit for the current year increased by approximately HK$11.4 million, or approximately 42.2%, when compared with the gross profit of approximately HK$27.0 million for the year ended 30 September 2011. Gross margin for the year ended 30 September 2012 was approximately 62.7%, an increase of approximately 12.3 percentage points when compared with the gross margin of approximately 50.4% for the year ended 30 September 2011. As the business model of "asset minimization, focus on operation and full services" have been fully implemented during the year ended 30 September 2012, inefficient sales networks have been substantially streamlined, which resulted in the reduction of cost of sales and increase in the gross margin.

Gross profit of synthetic rubber trading business of HK$0.5 million for the year ended 30 September 2012 was recorded.

Administrative expenses

Administrative expenses for the year ended 30 September 2012 amounted to approximately HK$24.8 million, representing an increase of approximately HK$5.1 million, or approximately 25.9%, when compared with approximately HK$19.7 million for the year ended 30 September 2011. The increase in administrative expenses was mainly due to the recognition of share-based payment for issuing of share options of approximately HK$2.8 million in the year ended 30 September 2012.

Selling and distribution expenses

Selling and distribution expenses for the year ended 30 September 2012 amounted to approximately HK$23.8 million, representing an increase of approximately HK$2.4 million, or approximately 11.2%, when compared with approximately HK$21.4 million for the year ended 30 September 2011. As substantial amounts of selling and distribution expenses were incurred in the traditional consumer businesses, the increase in the Group's selling expenses was in line with that in the Group's turnover for traditional consumer businesses, as mentioned above.

Discontinued operation

As the manufacturing and production of capsule products of ZS Capsules was revoked by the ZJFDA in April 2012, the revenue (including turnover and other revenue) generated by ZS Capsules decreased substantially from approximately HK$18.6 million in the last year to approximately HK$9.9 million during the current year, which increased its loss for the year significantly from approximately HK$3.0 million in the last year to approximately HK$7.9 million for the current year.

In the last quarter of this fiscal year, the Group classified ZS Capsules from a subsidiary to assets held for sale with carry value of approximately HK$0.8 million, and an impairment loss of approximately HK$7.4 million was recognized during the year. As the Group only held 61.11% of equity interest in ZS Capsules, the amount of net assets of ZS Capsules shared to the Group as at 30 September 2012 was approximately HK$0.5 million (i.e. HK$0.8 million x 61.11%). It is estimated that the Group will not realize any significant gain or loss from the disposal of the investment in ZS Capsules subsequent to the year end date of this fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the year

Loss for the year ended 30 September 2012 was approximately HK$22.8 million, representing a decrease of approximately HK$23.2 million, when compared with loss of approximately HK$46.0 million for the year ended 30 September 2011. The significant improvement in the Group's results for the year was principally resulted from the decrease in loss of investment in financial assets by approximately HK$23.1 million.

Inventories

As a result of the maturity of the Group's business model of "asset minimization, focus on operation and full services", the level of inventories slightly decreased from approximately HK$46.4 million as at 30 September 2011 to approximately HK$44.3 million as at 30 September 2012.

Liquidity and financial resources

The Group had cash and bank balances of approximately HK$38.3 million and HK$25.1 million as at 30 September 2012 and 2011 respectively.

The increase in the Group's cash level is principally attributable to the net effect of investment in financial assets of approximately HK$13.4 million, deconsolidation of ZS Capsules which held cash and bank balances of approximately HK$2.0 million as at 30 September 2011 and net proceeds from a placing exercise in September 2012 of approximately HK$29.0 million.

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30 September 2012, the Group had bank borrowings of approximately HK$12.2 million (2011: approximately HK$15.1 million). As at 30 September 2011, the Group's unsecured other borrowings of approximately HK$7.1 million were made by ZS Capsules, which was classified as assets held for sale of the Group as at 30 September 2012. ZS Capsules also held bank borrowings of approximately HK$2.8 million as at 30 September 2011.

The gearing ratio (defined as total borrowings (including amount due to a non-controlling shareholder) to total assets) of the Group as at 30 September 2012 and 2011 were approximately 6.4% and approximately 11.7% respectively. Substantial decrease in the Group's gearing ratio is principally attributable to the placing exercise and deconsolidation of ZS Capsules, which held bank and other borrowings (including an amount due to a minority shareholder of approximately HK$0.8 million) totalling of approximately HK$10.7 million as at 30 September 2011, as mentioned above.

Currency and interest rate structure

The Group had limited exposure to foreign exchange rate and interest rate fluctuation as most of its transactions, including borrowings, were mainly conducted in RMB and the exchange rates and interest rates of RMB were relatively stable throughout FY 2011/12.

Contingent liabilities

Details of contingent liabilities are stated in note 39 to the consolidated financial statements.

Capital commitments

The Group did not have any capital commitment as at 30 September 2012 and 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating lease commitments

Details of operating lease commitments are stated in note 33 to the consolidated financial statements.

Employees' remuneration

As at 30 September 2012, the Group, directly and indirectly, had approximately 626 employees (2011: 513 (which excluded 87 employees recruited by ZS Capsules)). Total staff costs for the year ended 30 September 2012 was approximately HK$9.0 million (2011: approximately HK$9.8 million). Following the policy of cost control measures, the Group recruited more part-time sales and marketing staff to replace the full-time ones during the year. As such, the total staff costs decreased while the headcount increased during the year ended 30 September 2012.

The Group remunerates its employees based on their performance, experience and the prevailing market level. Performance related bonuses are also granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training and a share option scheme.

The employees of the subsidiaries of the Company in the PRC participate in a state-managed pension scheme operated by the PRC government. The relevant subsidiaries are required to make contributions to the defined contribution pension scheme in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. Pursuant to the regulations stipulated by the PRC government, the PRC subsidiaries started a defined contribution health care scheme with effect from 1 July 2002. All the employees currently under the defined contribution pension scheme are entitled to the health care scheme. Under the scheme, the PRC subsidiaries and the relevant employees have to contribute a certain percentage of the employees' salaries to the scheme respectively.

Material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 September 2012.

Details of future plans for material investment or capital assets

Save as disclosed above, the Directors do not have any future plans for material investment or capital assets.

MANAGEMENT PROFILE

Executive Directors

Mr. Cheung Hung ("Mr. Cheung"), aged 44, has been the chairman and an executive Director of the Company since 7 April 2010 and 19 January 2010 respectively. Mr. Cheung holds a Master of Business Administration degree of an Executive MBA Programme and Bachelor's degree in Business Administration from The Chinese University of Hong Kong. He has over 20 years of experience insecurities industries.

Mr. Wang Zhixin ("Mr. Wang"), aged 47, has been an executive Director since 1 June 2010. Mr. Wang holds a bachelor's degree in accounting and a master's degree in management from Suzhou University. He is also a member of the Chinese Institute of Certified Public Accountants. Mr.Wang has extensive experience in management of multi-national companies, which involves retail management and brand operation and so on. Mr. Wang has served as the chief financial officer of Shanghai Aige Apparel Limited (上海艾格服飾有限公司) and was responsible for financial management, procedure management and procurement control; and the financial controller of Suzhou Dawnrays Pharmaceuticals Co., Ltd. Mr. Wang had also served as the director of the financial and taxation bureau of Suzhou Industrial Park and was responsible for foreign investment management, taxation management and audit work and hence accumulated extensive in financial and taxation as well as cooperation with international governments. Mr. Wang is currently a vice president of the Company and is responsible for financial management.

Mr. See Ching Chuen ("Mr. See"), aged 50, has been an executive Director since 8 June 2012. He has more than 28 years' experience in sales and marketing and business strategic planning. He has been the shareholder and director of Han Telecom Company Limited since 1997.

Mr. See is a substantial shareholder of the Company holding 58,550,000 shares of the Company (representing 5.08% of the capital of the Company) at the date of this report. Mr. See has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

Independent Non-executive Directors

Mr. Chong Cha Hwa ("Mr. Chong"), aged 46, has been an independent non-executive Director since 3 December 2007. Mr. Chong is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. Mr. Chong has obtained a degree of bachelor of management with honours from the University of Science, Malaysia. Mr. Chong has more than 15 years of experience in the accounting and finance area servicing private and publicly listed companies in Hong Kong and the Southern Asia region. He was an independent non-executive director of Vital Group BioTech Holdings Limited (Stock Code: 1164) (19 October 2006 to 18 August 2011) and an executive director of RCG Holdings Limited (Stock Code: 802) (1 July 2012 to 13 November 2012). He is currently an independent non-executive director of China Mining Resources Group Limited (Stock Code: 340) and Boshiwa International Holdings Limited (Stock Code: 1698).

Mr. Sham Chi Keung William ("Mr.Sham"), aged 54, has been an independent non-executive Director since 19 January 2010. Mr. Sham is a qualified chartered surveyor, a professional member of the Hong Kong Institute of Surveyors,and a professional member of the China Institute of Real Estate Appraiser. Mr. Sham has over 28 years' working experience in the field with extensive practices in valuation, market study, financial analysis, asset management, project management,real estate transactions and investment consulting. He held senior managerial executive positions in Swire Properties Limited (one of the largest realestate developers in Hong Kong), Colliers and First Pacific Davies before he founded B.I. Group Limited and B.I. Appraisals Limited in 2000. Mr. Sham is an executive director of B.I. Group Limited and B.I. Appraisals Limited and heads up the Asia Pacific Operation of the companies.

MANAGEMENT PROFILE

Mr. Yeung Chi Tit ("Mr. Yeung"), aged 57, has been an independent non-executive Director since 17 November 2011. Mr. Yeung holds a Master of Business Administration degree from the Hong Kong Polytechnic University and is currently a student of a Doctor of Business Administration degree of the Hong Kong Baptist University. Mr. Yeung is the founder and a director of Reptron Components Limited, a business & I.T. enabling consultancy company. He has been actively working with the electronic and I.T. industry since 1979 covering business segments ranging from retailing, wholesaling and distributing electronic or computer related hardware and software. Outsourcing industries via development and deployment of I.T. enabling solutions for the betterment and efficacy of business processing. Mr. Yeung was the past chairman and is currently a director of the Hong Kong Chamber of Computer Industry, which is the operator of the Hong Kong Computer & Communication Festival. He is also the president of Sino Hong Kong Information Technology Development Centre and the secretary of the Hong Kong Economic Trade Association.

Senior Management

Mr. Yang Shunfeng ("Mr. Yang"), aged 38, has been the CEO of the Company since 1 October 2009. He is also an executive director and general manager of Suzhou Longlifu Health Food Co., Ltd., one of the subsidiaries of the Company. Mr. Yang had been an executive Director of the Company from 26 May 2004 to 18 February 2009. He graduated from the University of Shanghai in 1997 in secretarial and administration studies. Mr. Yang is a nephew of Mr. Zhang Sanlin, a former executive Director.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Group recognises the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all of its shareholders.

The Group is fully committed to doing so. It is with the objectives in mind that the Group has applied such principles and will comply with the individual code provisions. Throughout the year ended 30 September 2012, the Company has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the GEM Listing Rules, except for the deviations from code provision A.4.1 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the Code.

Non-executive Directors

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

Directors' Training

As part of an ongoing process of directors' training, the Directors are updated with latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training.

Pursuant to the "Corporate Governance Code", which has come into effect from 1 April 2012, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the period from 1 April 2012 to 30 September 2012, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 30 September 2012. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 30 September 2012.

CORPORATE GOVERNANCE REPORT

Board of Directors

As at the date of this report, the Board comprises three executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Cheung Hung *(Chairman)*
Mr. Wang Zhixin
Mr. See Ching Chuen *(Appointed on 8 June 2012))*

Independent Non-executive Directors

Mr. Chong Cha Hwa
Mr. Sham Chi Keung, William
Mr. Yeung Chi Tit

The Board's primary responsibilities are to formulate the Company's long-term corporate strategy, oversee the management of the Group, evaluate the performance of the Group and enhance long-term shareholder value.

The biographical details of the Directors and the relationship among the members of the Board are set out in the "Management Profile" on pages 7 to 8 of this annual report.

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

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

CORPORATE GOVERNANCE REPORT

The Directors can attend meetings in person or through other means of electronic communications. The following table shows the attendance of individual Directors at the meetings of the Board and other Board committees held during the year:

		Meetings attended/(Held)				
Director	*Note*	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Investment Committee**
Executive Directors						
Cheung Hung	*1*	16/(16)	n.a.	n.a.	1/(1)	4/(4)
Zhang Sanlin	*2*	2/(8)	n.a.	n.a.	n.a.	n.a.
Chen Zhongwei	*3*	1/(3)	n.a.	n.a.	n.a.	n.a.
Tian Zhenyong		6/(13)	n.a.	n.a.	n.a.	1/(4)
Wang Zhixin		14/(16)	n.a.	2/(2)	n.a.	4/(4)
Wong Chun Hung	*4*	5/(8)	n.a.	n.a.	n.a.	n.a.
See Ching Chuen	*5*	3/(3)	n.a.	n.a.	n.a.	n.a.
Independent Non-executive Directors						
Chong Cha Hwa		15/(15)	4/(4)	2/(2)	1/(1)	n.a.
Chan Wai Yan	*6*	0/(1)	0/(0)	n.a.	n.a.	n.a.
Sham Chi Keung, William		12/(15)	4/(4)	2/(2)	1/(1)	n.a.
Yeung Chi Tit	*7*	14/(14)	4/(4)	1/(1)	1/(1)	n.a.

1. Retired on 22 March 2012
2. Resigned on 31 January 2012
3. Resigned on 8 June 2012
4. Appointed on 21 September 2011 and retired on 22 March 2012
5. Appointed on 8 June 2012
6. Resigned on 17 November 2011
7. Appointed on 17 November 2011

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

Chairman and CEO

Pursuant to the code provision A.2.1, the roles of chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. To ensure a balance of power and authority, the Company fully supports the division of responsibilities between the Chairman and the CEO. The roles of the Chairman and the CEO are segregated and performed by Mr. Cheung Hung and Mr. Yang Shunfeng respectively.

CORPORATE GOVERNANCE REPORT

Appointment, Re-election and Removal

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors are not appointed for specific term. However, the yare subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election.

Board Committees

To maintain a high level of corporate governance standard, the Board has set up some committees as follows:

- **Audit Committee**

  The Company has an Audit Committee with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The Committee is currently composed of three independent non-executive Directors, namely, Mr. Chong Cha Hwa, Mr. Sham Chi Keung, William and Mr. Yeung Chi Tit; and is chaired by Mr. Chong Cha Hwa.

  The primary duties of the Committee are to review the Company's annual report, consolidated financial statements and audited annual results, half-yearly report and quarterly reports and to advise and comment thereon to the Board. The Committee is also responsible for reviewing and supervising the financial reporting process and internal control of the Group. In the course of doing so, the Committee has met the Company's management several times and the external auditor once during the year ended 30 September 2012. The Committee has reviewed the audited financial results of the Group for the year ended 30 September 2012.

- **Remuneration Committee**

  The Company has a Remuneration Committee with the terms of reference in alignment with the provisions as set out in the Code. During the year, the Committee comprises three independent non-executive Directors, namely, Mr. Chong Cha Hwa, Mr. Sham Chi Keung, William and Mr. Yeung Chi Tit and one executive Director, Mr. Wang Zhixin; and is chaired by Mr. Yeung Chi Tit.

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

- **Nomination Committee**

  The Company established a Nomination Committee on 16 December 2011 and adopted the terms of reference in alignment with the provisions as set out in the Code. The Committee comprises Mr. Cheung Hung, the Chairman of the Board and executive Director and three independent non-executive Directors, namely, Mr. Chong Cha Hwa, Mr. Sham Chi Keung, William and Mr. Yeung Chi Tit; and is chaired by Mr. Cheung Hung.

  The responsibilities of the Committee include reviewing the structure, size and composition of the Board; identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on selection of individual nominated for directorships; making recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive; and determining the policy for nomination of directors.

CORPORATE GOVERNANCE REPORT

- **Investment Committee**
  The Company established an Investment Committee on 12 August 2011. During the year ended 30 September 2012 and as at the date of this report, the Investment Committee comprises Mr. Cheung Hung, Mr. Tian Zhenyong (resigned on 8 June 2012) and Mr. Wang Zhixin. The main responsibilities of the Committee are formulating investment policies and reviewing and determining the investment portfolio of the Group.

The Company had a Compliance Committee and an Internal Control Committee until they were dissolved on 16 December 2011. The functions and responsibilities of the two committees are now borne by the Audit Committee and the Board. No meeting was held by either of the two committees during the year up to their dissolution.

Company Secretary

Mr. Yu Yun Kong has been the company secretary of the Company since July 2010. Mr. Yu is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered and Certified Accountants. He reports to the Board and assists the Board in functioning effectively and efficiently. During the year, Mr. Yu undertook not less than 15 hours of professional training to update his skill and knowledge.

Auditor's Remuneration

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

	2012	2011
	HK$'000	HK$'000
Services rendered:		
Audit services	**420**	420
Other services	**Nil**	Nil

Financial Reporting

The Directors acknowledged their responsibility for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is the independent auditor's responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion to the Company's shareholders. The responsibilities of the independent auditor are set out in the independent auditor's report on pages 23 to 24 of this report.

Investor Relations and Communication with Shareholders

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

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

A. Procedures for Shareholders to Convene an Extraordinary General Meeting

Extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Secretary of the Company (Suite 7602 A, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

B. Procedures for Shareholders to Nominate a Director

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his willingness to be elected together with his/her particulars (such as qualifications and experience) and information as required to be disclosed under Rule 17.50(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited shall be lodged at the Company's head office and principal place of business (Suite 7602A, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) or at its branch share registrar and transfer office in Hong Kong, Union Registrars Limited (18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lock hart Road, Wanchai, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

DIRECTORS' REPORT

The Directors present the annual report and audited consolidated financial statements for the year ended 30 September 2012.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 30 September 2012 are set out in the consolidated statement of comprehensive income on page 25. The Directors did not recommend the payment of a final dividend for the year ended 30 September 2012 (2011: Nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

Directors

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

Executive Directors

Mr. Cheung Hung *(Chairman)*	
Mr. Zhang Sanlin	*(Retired on 22 March 2012)*
Mr. Chen Zhongwei	*(Resigned on 31 January 2012)*
Mr. Tian Zhenyong	*(Resigned on 8 June 2012)*
Mr. Wang Zhixin	
Mr. Wong Chun Hung	*(Retired on 22 March 2012)*
Mr. See Ching Chuen	*(Appointed on 8 June 2012)*

Independent Non-executive Directors

Mr. Chong Cha Hwa	
Ms. Chan Wai Yan	*(Resigned on 17 November 2011)*
Mr. Sham Chi Keung, William	
Mr. Yeung Chi Tit	*(Appointed on 17 November 2011)*

In accordance with article 108 of the articles of association of the Company, Mr. Chong Cha Hwa and Mr. Sham Chi Keung, William shall retire from office as directors by rotation at the conclusion of the forthcoming annual general meeting ("AGM"). In accordance with article 112 of the Company's articles of association, Mr. See Ching Chuen shall hold office until the conclusion of the AGM and shall then be eligible for reelection thereat. All the retiring Directors being eligible, offer themselves for re-election at the AGM.

DIRECTORS' REPORT

Directors' service Agreements

Each executive Director has entered into a service agreement with the Company. Nevertheless, all of the mare subject to retirement by rotation in accordance with the Company's articles of association. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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

As at 30 September 2012, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provision of the SFO) or which are required pursuant to section 352 of the SFO or which are required, pursuant to 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 ordinary shares of the Company

Name	Capacity	Number of ordinary shares	% to total issued share capital of the Company
Directors			
Cheung Hung	Beneficial owner and family interest	8,500,000	0.74%
See Ching Chuen *(Note)*	Beneficial owner and controlled corporation	58,550,000	5.08%
CEO			
Yang Shunfeng	Beneficial owner	250,000	0.02%

Note: 48,550,000 shares were held by CITIC Capital Group Limited, a company controlled by Mr. See Ching Chuen.

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 the underlying shares	Approximate % in Company's issued share capital
Cheung Hung	9 April 2010	9 April 2010 to 8 April 2020	HK$0.355	5,000,000	0.43%
Wang Zhixin	9 April 2010	9 April 2010 to 8 April 2020	HK$0.355	5,000,000	0.43%

DIRECTORS' REPORT

Save as disclosed above, none of the Directors nor the chief executives of the Company had, as at 30 September 2012, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO(including interests or short positions which any such director is taken or deemed to have under such provision of the SFO) or which are required pursuant to Section 352 of the SFO, or which are required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Interests and Short Positions of Substantial Shareholders in the Shares, Underlying Shares and Debentures

As at 30 September 2012, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures" in this report, the following persons had an interest or short positions in the shares,underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly interested in 5% or more of the voting power at general meetings of the Company:

Name	Capacity	Number of ordinary shares	Number of underlying shares held under equity derivatives	Total	% to total issued share capital of the Company
Capital VC Limited *(Note)*	Beneficial owner and controlled corporation	74,710,000	500,000	75,210,000	6.53%
Avant Capital Management (HK) Limited	Beneficial owner	60,220,000	–	60,220,000	5.23%

Note: 54,320,000 shares were held by CNI Capital Limited, a company wholly owned by Capital VC Limited.

Save as disclosed above, as at 30 September 2012, there was no other person (other than the Directors or chief executive of the Company)who had any interest or short position in the Shares or underlying shares 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

Share Option Scheme

The details of the share option scheme of the Company are set out in note 32 to the consolidated financial statements.

Directors' Interests in Contracts

Save as those set out in note 38 to the consolidated financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' REPORT

Major Customers and Suppliers

During the year, the Group's largest customer and five largest customers accounted for 19% and 45%respectively, of the Group's total sales; and the Group's five largest suppliers accounted for less than 23% of the Group's total purchases. None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Emoluments of Directors and Five Highest Paid Individuals

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 16 to the consolidated financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is setout on page 74 of this annual report.

Share Capital

Details of the Company's share capital during the year are set out in note 31 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 27.

Distributable Reserves

Details of the Company's distributable reserves as at 30 September 2012 are set out in note 36 to the consolidated financial statements.

Pre-emptive Rights

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

Sufficiency of Public Float

Based on the information publicity available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules throughout the year ended 30 September 2012.

Purchase, Sale or Redemption of Listed Securities of the Company

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

DIRECTORS' REPORT

Rights to acquire Company's Securities

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

Competing Interests

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

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Chong Cha Hwa, Mr. Sham Chi Keung, William and Mr. Yeung Chi Tit.

The primary duties of the Audit Committee are to review the Company's annual report, consolidated financial statements and audited annual results, half-yearly report and quarterly reports and to advise and comment thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control of the Group. In the course of doing so, the Audit Committee has met the Company's management several times and the external auditor once during the year ended 30 September 2012. The Audit Committee has reviewed the audited financial results of the Group for the year ended 30 September 2012.

Material Contracts

1. On 21 March 2012, the Company and Tarich Capital Limited and Yee On Securities Limited (both as Placing Agents) entered into a placing agreement pursuant to which the Placing Agents conditionally agreed to place, on a best effort basis, to not less than six independent placees for up to 192,000,000 new Shares at a price of HK$0.155 per placing share. On 21 June 2012, the Company and the Placing Agents entered into a supplemental agreement, pursuant to which the long stop date of the placing agreement had been extended to a date falling 6 months after 21 March 2012. The placing was completed on 14 September 2012.

2. On 21 March 2012, the Company (as Purchaser) entered into a non-legally binding memorandum of understanding (the "MOU") with Mr. Buer Gude (as Vendor), pursuant to which the Purchaser intended to acquire and the Vendor intended to sell 100% of the issued share capital of a company which is principally engaged in manufacturing and distributing of a healthcare beverage produced from a specific kind of fruit in the Asia Pacific region with right to purchase the kind of fruit in Samoa on a long term basis. The MOU was terminated and ceased to have any legal effect on 14 May 2012.

DIRECTORS' REPORT

Litigation

In April 2012, the ZJFDA issued a notice of hearing to ZS Capsules (a then indirectly owned subsidiary of the Company which was classified as an asset held for sale as at this reporting date and disposed of subsequent to the year end date on 14 December 2012), accusing that ZS Capsules had committed serious misconduct and revoking its manufacturing and production licence. As according to the Company's PRC legal advice the possibility of retaining the licence through the hearing was relatively low, the Company disposed of its investment in ZS Capsules after the year end date as mentioned above.

Related Party and Connected Transactions

Details of related party and connected transactions of the Group during the year are set out in note 38 to the consolidated financial statements.

Emolument Policy

The emolument policy of the Directors and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Board on the recommendation of the Remuneration Committee, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to Directors and eligible participants, details of the scheme is set out in note 32 to the consolidated financial statements.

Auditor

The consolidated financial statements of the Group for the year ended 30 September 2012 have been audited by Cheng & Cheng Limited. Cheng & Cheng Limited was appointed on 3 September 2010 as the auditor of the Company to fill the casual vacancy following the resignation of SHINEWING (HK) CPA Limited and will hold office until the conclusion of the AGM. Cheng & Cheng Limited will retire and, being eligible, offer itself for reappointment at the AGM. A resolution for reappointment of Cheng & Cheng Limited as auditor of the Company is to be proposed at the AGM.

On behalf of the Board

Cheung Hung
Chairman

Hong Kong, 19 December 2012

INDEPENDENT AUDITOR'S REPORT

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司
10/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong

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

We have audited the consolidated financial statements of Longlife Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 73, which comprise the consolidated statement of financial position as at 30 September 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

Limitation of scope on the loss from discontinued operation

Included in the consolidated statement of comprehensive income for the year ended 30 September 2012 was a loss from discontinued operation of HK$7,919,000. This was related to a subsidiary, ZS Capsules, currently classified as assets held for sale. ZS Capsules has ceased operations due to the revocation of its manufacturing and production licence by ZJFDA during the year. The relevant authorities have also seized control of the related books and records of ZS Capsules. We were unable to obtain sufficient appropriate audit evidence we consider necessary in order to assess the accuracy of the loss from discontinued operation. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to the accuracy of the amount. Any adjustment to the loss from the discontinued operation found to be necessary would affect the Group's loss for the year then ended and related notes and disclosures to the consolidated financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the possible effects of the limitation of audit scope described in the "Basis for qualified opinion" paragraph, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 30 September 2012 and of its loss and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Cheng & Cheng Limited
Certified Public Accountants
Li Wing Sum Steven
Practising Certificate Number: P03747

Hong Kong
19 December 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Notes	**2012 HK$'000**	2011 HK$'000 (Restated)
Continuing operations			
Turnover	*9*	**101,354**	26,452
Cost of sales		**(55,754)**	(26,569)
Gross profit/(loss)		**45,600**	(117)
Other (loss)/income	*10*	**(8,761)**	3,230
Administrative expenses		**(24,819)**	(19,662)
Selling and distribution expenses		**(23,804)**	(21,399)
Other expenses		**–**	(3,074)
Finance costs	*11*	**(2,989)**	(1,872)
Loss before tax	*12*	**(14,773)**	(42,894)
Income tax expense	*13*	**(86)**	(112)
Loss from continuing operations		**(14,859)**	(43,006)
Discontinued operation			
Loss from discontinued operation, net of tax	*12, 25*	**(7,919)**	(3,034)
Loss for the year		**(22,778)**	(46,040)
Other comprehensive income			
Exchange differences on translation of foreign operations		**10**	1,097
Total comprehensive loss for the year		**(22,768)**	(44,943)
Loss attributable to:			
Equity holders of the Company		**(20,698)**	(43,555)
Non-controlling interests		**(2,080)**	(2,485)
		(22,778)	(46,040)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(20,681)**	(42,624)
Non-controlling interests		**(2,087)**	(2,319)
		(22,768)	(44,943)
Dividends	*14*	**–**	–
Loss per share (HK cents)	*15*		
– basic		**(2.14)**	(4.54)
– diluted		**N/A**	N/A
Loss per share – continuing operations (HK cents)	*15*		
– basic		**(1.53)**	(4.48)
– diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Goodwill	17	–	–
Property, plant and equipment	18	14,150	28,986
Prepaid lease payments	19	4,557	7,014
		18,707	36,000
CURRENT ASSETS			
Prepaid lease payments	19	121	178
Financial assets	20	66,713	38,798
Inventories	21	44,273	46,435
Trade and bills receivables	22	11,791	19,199
Prepayments and other receivables	23	10,219	30,154
Tax recoverable		6	–
Bank balances and cash	24	38,277	25,065
Assets held for sale	25	818	–
		172,218	159,829
CURRENT LIABILITIES			
Trade and bills payables	26	8,623	22,699
Other payables and accruals	27	63,259	52,358
Bank and other borrowings	28	12,228	22,210
Tax payable		–	59
Amounts due to a non-controlling shareholder	29	–	774
		84,110	98,100
NET CURRENT ASSETS		88,108	61,729
NET ASSETS		106,815	97,729
CAPITAL AND RESERVES			
Share capital	31	115,208	96,008
Reserves		(8,711)	(684)
Equity attributable to equity holders of the Company		106,497	95,324
Non-controlling interests		318	2,405
TOTAL EQUITY		106,815	97,729

The consolidated financial statements on pages 25 to 73 were approved and authorised for issue by the Board of Directors on 19 December 2012 and are signed on its behalf by:

Cheung Hung	See Ching Chuen
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Special reserve HK$'000 (Note 1)	Statutory surplus reserve fund HK$'000 (Note 2)	Statutory enterprise expansion fund HK$'000 (Note 3)	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
At 1 October 2010	96,008	79,168	8,574	22,443	15,479	3,098	28,376	(111,153)	141,993	4,724	146,717
Total comprehensive loss for the year	–	–	–	–	–	–	931	(43,555)	(42,624)	(2,319)	(44,943)
Disposal of a subsidiary	–	–	–	–	–	–	(4,045)	–	(4,045)	–	(4,045)
At 30 September 2011 and 1 October 2011	96,008	79,168	8,574	22,443	15,479	3,098	25,262	(154,708)	95,324	2,405	97,729
Total comprehensive loss for the year	–	–	–	–	–	–	17	(20,698)	(20,681)	(2,087)	(22,768)
Share-based compensation	–	–	2,838	–	–	–	–	–	2,838	–	2,838
Issue of ordinary shares by placing (Note 31)	19,200	10,560	–	–	–	–	–	–	29,760	–	29,760
Less: Shares issue expenses on placing	–	(744)	–	–	–	–	–	–	(744)	–	(744)
At 30 September 2012	115,208	88,984	11,412	22,443	15,479	3,098	25,279	(175,406)	106,497	318	106,815

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 subsidiaries of the Company in the PRC can make appropriation of net profit to the statutory surplus reserve fund on a discretionary basis.

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	2012	2011
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(22,692)**	(45,595)
Adjustments for:		
Impairment loss of obsolete stocks	**–**	2,971
Depreciation of property, plant and equipment	**2,145**	3,427
Finance costs	**–**	3,253
Amortisation of prepaid lease payments	**154**	387
Share-based compensation	**2,838**	–
Allowance for bad and doubtful debts	**–**	6,539
Interest income	**–**	(199)
Dividend income	**–**	(97)
Loss on disposal of a subsidiary	**–**	113
Impairment loss of non-current assets held for sales	**7,431**	–
(Gain)/loss on disposal of property, plant and equipment	**(76)**	2,516
Loss on investment in financial assets	**–**	27,228
Operating cash flows before movements in working capital	**(10,200)**	543
Decrease/(increase) in inventories	**1,820**	(13,269)
(Increase)/decrease in trade and bills receivables	**(5,179)**	4,138
Decrease/(increase) in prepayments and other receivables	**15,490**	(11,919)
(Decrease)/increase in trade and bills payables	**(9,289)**	3,172
Increase/(decrease) in other payables and accruals	**5,970**	(8,875)
Decrease in amount due to directors	**–**	(468)
Cash used in operations	**(1,388)**	(26,678)
Income taxes paid	**(186)**	(342)
NET CASH USED IN OPERATING ACTIVITIES	**(1,574)**	(27,020)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(791)**	(2,626)
Proceeds from disposal of prepaid lease payments	**–**	1,206
Proceeds from disposal of property, plant and equipment	**291**	5,444
Net fund used in trading of financial assets	**(13,400)**	(46,541)
Proceeds from disposal of a subsidiary	**–**	7,236
Interest received	**–**	199
Dividend income	**–**	97
NET CASH USED IN INVESTING ACTIVITIES	**(13,900)**	(34,985)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Note	**2012** **HK$'000**	2011 HK$'000
FINANCING ACTIVITIES			
Repayment of bank and other borrowings		**(12,292)**	(18,124)
Interest paid		**–**	(3,253)
Repayment to a non-controlling shareholder		**(160)**	(197)
New bank and other borrowings raised		**12,228**	22,210
Net proceeds from issue of shares		**29,016**	–
NET CASH FROM FINANCING ACTIVITIES		**28,792**	636
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**13,318**	(61,369)
Reclassified to non-current assets held for sales		**(256)**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**25,065**	88,443
Effect of foreign exchange rate changes		**150**	(2,009)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	*24*	**38,277**	25,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

1. General Information

Longlife Group Holdings Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 June 2004. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Suite 7602A, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Summary of Significant Accounting Policies – *Continued*

Basis of consolidation – *Continued*

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the share of changes in equity by non-controlling interests since the date of the combination.

Investments in subsidiaries

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Summary of Significant Accounting Policies – *Continued*

Property, plant and equipment – *Continued*

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Prepaid lease payments

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

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at FVTPL and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-making. Derivatives, including separated embedded derivates are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

A financial asset is designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Summary of Significant Accounting Policies – *Continued*

Financial instruments – *Continued*

Financial assets – *Continued*

Financial assets at FVTPL – *Continued*

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables (including loan receivables, other receivables, amounts due from an associate/related companies/investee companies and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Effective interest method

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

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

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Summary of Significant Accounting Policies – *Continued*
Financial instruments – *Continued*
Financial assets – *Continued*

Impairment of financial assets – *Continued*

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Summary of Significant Accounting Policies – *Continued*

Financial instruments – *Continued*

Financial liabilities and equity – *Continued*

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories in recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down on loss occurs. The amount of any reversal of any of inventories in recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Assets held for sale and discontinued operation

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the assets' or disposal groups' previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Summary of Significant Accounting Policies – *Continued*

Impairment losses on tangible assets (other than goodwill – see the accounting policy in respect of goodwill above)

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

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

Revenue recognition

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

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

Sales of financial assets at FVTPL are recognised on a trade date basis.

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

Dividend income is recognised when the shareholders' rights to receive payment have been established.

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Summary of Significant Accounting Policies – *Continued*

Taxation – *Continued*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Summary of Significant Accounting Policies – *Continued*

Leasing

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

The Group as lessee

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

Leasehold land and buildings

The land and buildings elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 October 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Retirement benefits costs

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Summary of Significant Accounting Policies – *Continued*

Related parties

A party is considered to be related to the Group if:

(a) A person, or a close member of that person's family, is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or the Group 's parent.

(b) An entity is related to the Group if any of the following conditions applies:

   (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

   (vi) The entity is controlled or jointly controlled by a person identified in (a).

   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

3. Going Concern Convention

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the liquidity of the Group as the Group has sustained operating losses for 5 consecutive years and incurred loss of approximately HK$22,778,000 for the year (2011: HK$46,040,000).

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

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

(b) the Group allotted and issued a total of 192,000,000 new shares through Placing to independent third parties at the placing price of HK$0.155 each.

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

4. Adoption of New and Revised HKFRSs

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010, as appropriate
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates
HKFRS 7 (Amendments)	Financial instruments: Disclosure – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement

The adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

4. Adoption of New and Revised HKFRSs – *Continued*

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

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Standards – Government Loans[3]
HKFRS 7 (Amendments)	Disclosures Offsetting Financial Assets and Financial Liabilities[3]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (Revised)	Employee benefits[3]
HKAS 27 (Revised)	Separate Financial Statements[3]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

[1] Effective for annual periods beginning on or after 1 January 2012.
[2] Effective for annual periods beginning on or after 1 July 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2014.
[5] Effective for annual periods beginning on or after 1 January 2015.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

5. Critical Accounting Judgment and Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated and are made based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives and impairment of properties, plant and equipment and other intangible assets

The Group's management determine the estimated useful lives, residual values and related depreciation and amortisation charges for the properties, plant and equipment and other intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charges where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortisation expense in the future periods.

The Group reviews tangibles and intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recovered. Assessing the impairment loss requires a determination of fair value which is based on the best estimates and information available.

Assessment of goodwill impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Allowance for inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

5. Critical Accounting Judgment and Key Sources of Estimation Uncertainty – *Continued*

Allowance for bad and doubtful debts

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

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the current credit worthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. As at 30 September 2012, the carrying amount of trade and bills receivables are approximately HK$11,791,000 (2011: HK$19,199,000), net of allowance for doubtful debts of approximately HK$18,367,000 (2011: HK$29,386,000). While the carrying amount of prepayments and other receivables are approximately HK$10,219,000 (2011: HK$30,154,000), net of allowance for doubtful debts of approximately HK$800,000 (2011: HK$559,000).

6. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (which includes borrowings as detailed in note 28), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a regular basis. As a part of this review, the directors of the Company consider the cost of capital and the associated risks and take appropriate actions to adjust the Group's capital structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

7. Financial Instruments

a. Financial risk management objectives and policies

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 September 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

As at 30 September 2012, the Group has certain concentration of credit risk as 76% (2011: 48%) of the total trade receivables were due from the Group's top five largest customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

Interest rate risk

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

The Group's fair value interest-rate risk mainly arises from bank and other borrowings as detailed in note 28. Bank and other borrowings were issued at fixed rates, exposing the Group to fair value interest-rate risk. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

Currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

7. Financial Instruments – *Continued*

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

Liquidity risk

The Group has implemented several measures to improve its working capital position and net financial position during the year, details of which are set out in note 3.

The Group has no covenants with banks for the banking facilities granted.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	On demand or within one year HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total Undiscounted cash flow HK$'000	Carrying amount HK$'000
At 30 September 2012					
Financial liabilities					
Trade and bills payables	8,623	–	–	8,623	8,623
Other payables and accruals	63,259	–	–	63,259	63,259
Bank and other borrowings	12,228	–	–	12,228	12,228
	84,110	–	–	84,110	84,110

	On demand or within one year HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total Undiscounted cash flow HK$'000	Carrying amount HK$'000
At 30 September 2011					
Financial liabilities					
Trade and bills payables	22,699	–	–	22,699	22,699
Other payables and accruals	52,358	–	–	52,358	52,358
Bank and other borrowings	22,210	–	–	22,210	22,210
Tax payable	59	–	–	59	59
Amount due to a non-controlling shareholder	774	–	–	774	774
	98,100	–	–	98,100	98,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

7. Financial Instruments – *Continued*

b. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

c. Categories of financial instruments

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Financial assets at FVTPL	**66,713**	38,798
Loans and receivables (including cash and cash equivalents)		
Trade and bills receivables	**11,791**	19,199
Prepayments and other receivables	**10,219**	30,154
Bank balances and cash	**38,277**	25,065
	127,000	113,216
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and bills payables	**8,623**	22,699
Other payables and accruals	**63,259**	52,358
Bank and other borrowings	**12,228**	22,210
Tax payable	**–**	59
Amount due to a non-controlling shareholder	**–**	774
	84,110	98,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

7. Financial Instruments – *Continued*

d. Other price risk

The Group's financial assets at FVTPL are measured at fair value at end of the reporting period. Therefore, the Group is exposed to equity security price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

In respect of the financial assets at FVTPL, the following table demonstrates the impact on profit before tax and equity if the quoted market price of the Group's listed securities had been 5% (2011: 5%) higher/lower.

	Carrying amount of equity investments HK$'000	Increase or decrease in profit before tax HK$'000	Increase or decrease in equity HK$'000
2012			
Investments listed in Hong Kong – financial assets at FVTPL	**66,713**	**3,336**	**3,336**
2011			
Investments listed in Hong Kong – financial assets at FVTPL	38,798	1,940	1,940

8. 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, trading of synthetic rubber and trading of securities in Hong Kong.

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

Consolidated income statement

For the year ended 30 September 2012

	Manufacturing and sales of consumer cosmetics HK$'000	Manufacturing and sales of health related products HK$'000	Manufacturing and sales of health supplement wine HK$'000	Manufacturing and sales of dental materials and equipment HK$'000	Trading of financial assets at fair value through profit or loss HK$'000	Trading of synthetic rubber HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Turnover	39,640	17,113	1,116	3,398	6,702	33,385	101,354	8,755	110,109
Segment results	3,387	(2,920)	(262)	303	(4,132)	7	(3,617)	(797)	(4,414)
Other income							2,039	1,115	3,154
Impairment							–	(7,431)	(7,431)
Unallocated corporate expenses							(10,206)	–	(10,206)
Finance costs							(2,989)	(806)	(3,795)
Loss before tax							(14,773)	(7,919)	(22,692)
Income tax expenses							(86)	–	(86)
Loss for the year							(14,859)	(7,919)	(22,778)

For the year ended 30 September 2011 (Restated)

	Manufacturing and sales of consumer cosmetics HK$'000	Manufacturing and sales of health related products HK$'000	Manufacturing and sales of health supplement wine HK$'000	Manufacturing and sales of dental materials and equipment HK$'000	Trading of financial assets at fair value through profit or loss HK$'000	Trading of synthetic rubber HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Turnover	35,293	16,674	916	700	(27,131)	–	26,452	18,565	45,017
Segment results	385	(7,754)	(112)	(165)	(27,147)	–	(34,793)	(1,323)	(36,116)
Other income							3,230	3	3,233
Unallocated corporate expenses							(9,459)	–	(9,459)
Finance costs							(1,872)	(1,381)	(3,253)
Loss before tax							(42,894)	(2,701)	(45,595)
Income tax expenses							(112)	(333)	(445)
Loss for the year							(43,006)	(3,034)	(46,040)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

8. Segment Information – *Continued*

Consolidated statement of financial position

As at 30 September 2012

	Manufacturing and sales of consumer cosmetics HK$'000	Manufacturing and sales of health related products HK$'000	Manufacturing and sales of capsules products HK$'000	Manufacturing and sales of health supplement wine HK$'000	Manufacturing and sales of dental materials and equipment HK$'000	Trading of financial assets at fair value through profit or loss HK$'000	Trading of synthetic rubber HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Assets										
Segment assets	**43,177**	**30,277**	**–**	**2,288**	**1,056**	**67,099**	**15,468**	**159,365**	**818**	**160,183**
Unallocated corporate assets								**30,742**	**–**	**30,742**
Total assets								**190,107**	**818**	**190,925**
Liabilities										
Segment liabilities	**34,333**	**17,784**	**–**	**1,340**	**799**	**14,515**	**461**	**69,232**	**–**	**69,232**
Unallocated corporate liabilities								**14,878**	**–**	**14,878**
Total liabilities								**84,110**	**–**	**84,110**

As at 30 September 2011

	Manufacturing and sales of consumer cosmetics HK$'000	Manufacturing and sales of health related products HK$'000	Manufacturing and sales of capsules products HK$'000	Manufacturing and sales of health supplement wine HK$'000	Manufacturing and sales of dental materials and equipment HK$'000	Trading of financial assets at fair value through profit or loss HK$'000	Trading of synthetic rubber HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Assets										
Segment assets	43,143	36,156	29,869	1,666	1,152	50,703	–	162,689	–	162,689
Unallocated corporate assets								33,140	–	33,140
Total assets								195,829	–	195,829
Liabilities										
Segment liabilities	45,468	29,876	11,237	1,402	790	–	–	88,773	–	88,773
Unallocated corporate liabilities								9,327	–	9,327
Total liabilities								98,100	–	98,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

8. Segment Information – *Continued*

Other segment information

For the year ended 30 September 2012

	Manufacturing and sales of consumer cosmetics HK$'000	Manufacturing and sales of health related products HK$'000	Manufacturing and sales of health supplement wine HK$'000	Manufacturing and sales of dental materials and equipment HK$'000	Trading of financial assets at fair value through profit or loss HK$'000	Trading of synthetic rubber	Others HK$'000	Continuing operation HK$'000	Discontinued operation HK$'000	Total HK$'000
Capital expenditures	**431**	**289**	**22**	**–**	**–**	**–**	**–**	**742**	**49**	**791**
Amortisation of prepaid lease payments	**70**	**47**	**4**	**–**	**–**	**–**	**–**	**121**	**33**	**154**
Depreciation of property, plant and equipment	**686**	**456**	**35**	**16**	**–**	**–**	**288**	**1,481**	**664**	**2,145**
Impairment loss of obsolete stocks	**183**	**123**	**10**	**–**	**–**	**–**	**–**	**316**	**–**	**316**
Gain on disposal of property, plant and equipment	**(44)**	**(30)**	**(2)**	**–**	**–**	**–**	**–**	**(76)**	**–**	**(76)**

For the year ended 30 September 2011 (Restated)

Capital expenditures	378	284	14	–	–	–	1,612	2,288	338	2,626
Amortisation of prepaid lease payments	275	45	2	–	–	–	–	322	65	387
Depreciation of property, plant and equipment	1,043	437	21	15	–	–	296	1,812	1,615	3,427
Impairment loss of obsolete stocks	1,664	1,248	59	–	–	–	–	2,971	–	2,971
Loss on disposal of a subsidiary	–	–	–	–	–	–	113	113	–	113
Loss on disposal of property, plant and equipment	186	140	7	–	–	–	2,183	2,516	–	2,516
Allowance for bad and doubtful debts	2,477	1,858	88	–	–	–	–	4,423	2,116	6,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

8. Segment Information – *Continued*

Information about major customers

Revenue from a single customer in the reporting period contributing over 10% of the total sales of the Group is as follows:

	2012 HK$'000	2011 HK$'000
Customer A	**14,999**	13,537
Customer B	**11,866**	10,999

9. Turnover

Turnover represents the amounts received and receivable from sales of goods less sales tax and discounts, if any, and gain/(loss) on and dividend income from financial assets at FVTPL during the year.

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations		
Sales	**94,652**	53,583
Gain/(loss) on financial assets at FVTPL	**6,695**	(27,228)
Dividend income	**7**	97
	101,354	26,452
Discontinued operation		
Sales	**8,755**	18,565

10. Other (Loss)/Income

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations		
Loss on financial assets at FVTPL	**(10,800)**	–
Interest income	**67**	198
Rental income	**428**	532
Gain on disposal of fixed assets	**76**	–
Sundry income	**1,468**	2,500
	(8,761)	3,230
Discontinued operation		
Interest income	**2**	1
Sundry income	**42**	2
	44	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

11. Finance Costs

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations		
Interest expenses:		
– bank borrowings wholly repayable within five years	**974**	896
– other borrowings wholly repayable within five years	**2,015**	937
– discounted bills interest	**–**	39
	2,989	1,872
Discontinued operation		
Interest expenses:		
– bank borrowings wholly repayable within five years	**806**	509
– other borrowings wholly repayable within five years	**–**	501
– discounted bills interest	**–**	371
	806	1,381

12. Loss Before Tax

	2012 HK$'000	2011 HK$'000 (Restated)
Loss before tax has been arrived at after (crediting)/charging:		
Continuing operations		
Directors' emoluments	**2,046**	2,142
Other staff costs	**5,382**	6,458
Retirement benefits scheme contributions (excluding directors' remuneration)	**1,527**	1,175
Total staff costs	**8,955**	9,775
Allowance for bad and doubtful debts (included in administrative expenses)	**241**	4,423
Amortisation of prepaid lease payments	**121**	322
Auditor's remuneration	**420**	420
Cost of inventories recognised as an expense	**55,754**	26,569
Depreciation of property, plant and equipment	**1,481**	1,812
Dividend income	**(7)**	(97)
(Gain)/loss on disposal of property, plant and equipment	**(76)**	2,516
Impairment loss of obsolete stocks (included in cost of sales)	**316**	2,971
Loss on disposal of a subsidiary	**–**	113
Net exchange loss	**–**	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

12. Loss Before Tax – *Continued*

	2012 HK$'000	2011 HK$'000 (Restated)
Discontinued operation		
Other staff costs	**926**	2,483
Retirement benefits scheme contributions (excluding directors' remuneration)	**199**	314
Total staff costs	**1,125**	2,797
Allowance for bad and doubtful debts (included in administrative expenses)	**–**	2,116
Amortisation of prepaid lease payments	**33**	65
Cost of inventories recognised as an expense	**7,918**	14,555
Depreciation of property, plant and equipment	**664**	1,615

13. Income Tax Expense

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations		
The amount comprises:		
Taxation arising in the PRC		
Current year	**86**	112
Discontinued operation		
The amount comprises:		
Taxation arising in the PRC		
Under provision in prior years	**–**	333

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

13. Income Tax Expense – *Continued*

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

	2012 HK$'000	2011 HK$'000
Loss before tax	**(14,773)**	(45,595)
Tax at respective applicable tax rates	**(2,317)**	(8,578)
Tax effect of expenses not deducible for tax purposes	**1,607**	4,779
Tax effect of income not taxable for tax purposes	**(1)**	(568)
Tax effect of tax losses not recognised	**797**	4,479
Under provision in prior years	**–**	333
Income tax expense for the year	**86**	445

14. Dividends

No dividend was paid or proposed during the year ended 30 September 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

15. Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For continuing and discontinued operations

	2012	2011
Loss attributable to the equity holders of the Company (HK$'000)	**(20,698)**	(43,555)
Weighted average number of ordinary shares in issue ('000)	**968,998**	960,080
Basic loss per share (HK cents)	**(2.14)**	(4.54)

For continuing operations

	2012	2011 (Restated)
Loss attributable to the equity holders of the Company (HK$'000)	**(20,698)**	(43,555)
Add: Loss attributable to the equity holders of the Company from discontinued operations (HK$'000)	**5,839**	549
Loss attributable to the equity holders of the Company from continuing operations (HK$'000)	**(14,859)**	(43,006)
Weighted average number of ordinary shares in issue ('000)	**968,998**	960,080
Basic loss per share (HK cents)	**(1.53)**	(4.48)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

15. Loss Per Share – *Continued*

For discontinued operation

Basic loss per share for the discontinued operation is HK0.60 (2011: HK0.06 cent) cent per share based on the loss attributable to shareholders of the Company from the discontinued operations of approximately HK$5,839,000 (2011: HK$549,000).

No diluted loss per share has been presented for the years ended 30 September 2012 and 2011 as there was no dilutive potential ordinary share outstanding during the year and the exercise price of the Company's outstanding share options was higher than the average market price for the Company's share during the year.

16. Directors' and Employees' Emoluments

(a) Directors' emoluments

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

For the year ended 30 September 2012

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based compensation HK'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive Directors					
Cheung Hung	–	600	–	–	600
Zhang Sanlin (retired on 22 March 2012)	–	61	–	2	63
Chen Zhongwei (resigned on 31 January 2012)	–	61	–	5	66
Tian Zhenyong (resigned on 8 June 2012)	–	247	–	–	247
Wang Zhixin	–	360	–	9	369
Wong Chun Hung (retired on March 2012)	–	284	–	–	284
See Ching Chuen (appointed on 8 June 2012)	–	57	–	–	57
	–	1,670	–	16	1,686
Independent non-executive Directors					
Chong Cha Hwa	120	–	–	–	120
Sham Chi Keung, William	120	–	–	–	120
Chan Wai Yan (resigned on 17 November 2011)	15	–	–	–	15
Yeung Chi Tit (appointed on 17 November 2011)	105	–	–	–	105
	360	–	–	–	360
Total	360	1,670	–	16	2,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

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

(a) Directors' emoluments – *Continued*

For the year ended 30 September 2011

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based compensation HK'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive Directors					
Cheung Hung	–	610	–	–	610
Zhang Sanlin	–	180	–	8	188
Chen Zhongwei	–	120	–	–	120
Tian Zhenyong	–	360	–	–	360
Wang Zhixin	–	479	–	8	487
Wang Chun Hung (appointed on 21 September 2011)	–	17	–	–	17
	–	1,766	–	16	1,782
Independent non-executive Directors					
Chong Cha Hwa	120	–	–	–	120
Chan Wai Yan (resigned on 17 November 2011)	120	–	–	–	120
Sham Chi Keung, William	120	–	–	–	120
	360	–	–	–	360
Total	360	1,766	–	16	2,142

None of the Directors waived or agreed to waive any emoluments paid by the Group and no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director of the Company during the two years ended 30 September 2012 and 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2011: three) were Directors whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining one (2011: two) individual for the year ended 30 September 2012 were as follows:

	2012	2011
	HK$'000	HK$'000
Salaries and other benefit	**294**	776
Retirement benefit scheme contributions	**9**	13
	303	789

	Number of individuals	
	2012	2011
Emolument bounds		
HK$Nil – HK$1,000,000	**1**	2

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 30 September 2012 and 2011.

17. Goodwill

	HK$'000
COST	
At 1 October 2010	5,525
Disposal of subsidiary	(5,525)
At 30 September 2011, 1 October 2011 and 30 September 2012	–
IMPAIRMENT LOSS	
At 1 October 2010	5,525
Eliminated on disposal of subsidiary	(5,525)
At 30 September 2011, 1 October 2011 and 30 September 2012	–
CARRYING VALUES	
At 30 September 2012	–
At 30 September 2011	–

Goodwill arose on acquisition of subsidiary, Jiangsu Longlife Biochemistry Company Limited ("Jiangsu Longlife"). Goodwill will be tested for impairment at least annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

18. Property, Plant and Equipment

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Construction in progress HK$'000	Total HK$'000
COSTS							
At 1 October 2010	40,091	4,000	1,486	15,775	–	8,281	69,633
Exchange realignment	1,899	193	72	759	–	399	3,322
Additions	57	337	245	684	1,121	182	2,626
Disposal of a subsidiary	(9,599)	(48)	–	(194)	–	(1,741)	(11,582)
Disposals	(562)	(133)	(738)	(2,131)	–	(7,048)	(10,612)
At 30 September 2011 and at 1 October 2011	31,886	4,349	1,065	14,893	1,121	73	53,387
Exchange realignment	(120)	(11)	(3)	(36)	–	–	(170)
Additions	150	136	169	336	–	–	791
Disposals	–	(1,805)	(174)	–	–	–	(1,979)
Transferred to non-current assets held for sale	(14,102)	(67)	(481)	(8,872)	–	(73)	(23,595)
At 30 September 2012	17,814	2,602	576	6,321	1,121	–	28,434
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS							
At 1 October 2010	10,266	3,519	1,164	9,129	–	589	24,667
Exchange realignment	569	170	46	448	–	17	1,250
Charge for the year	1,453	121	56	1,573	224	–	3,427
Disposal of a subsidiary	(2,116)	(38)	–	(137)	–	–	(2,291)
Eliminated on disposals	(58)	(124)	(570)	(1,294)	–	(606)	(2,652)
At 30 September 2011 and at 1 October 2011	10,114	3,648	696	9,719	224	–	24,401
Exchange realignment	(22)	(8)	(2)	(19)	–	–	(51)
Charge for the year	921	106	67	826	225	–	2,145
Eliminated on disposals	–	(1,620)	(144)	–	–	–	(1,764)
Transferred to non-current assets held for sale	(3,997)	(51)	(480)	(5,919)	–	–	(10,447)
At 30 September 2012	7,016	2,075	137	4,607	449	–	14,284
CARRYING VALUES							
At 30 September 2012	10,798	527	439	1,714	672	–	14,150
At 30 September 2011	21,772	701	369	5,174	897	73	28,986

As at 30 September 2012, certain buildings of the Group in the PRC with aggregate carrying amount of approximately HK$5,945,000 (2011: HK$14,627,000) have been pledged to secure bank borrowings granted to the Group (note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

18. Property, Plant and Equipment – *Continued*

The management considered that no impairment loss should be recognised in the consolidated statement of comprehensive income for the year ended 30 September 2012 (2011: Nil).

19. Prepaid Lease Payments

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

	2012	2011
	HK$'000	HK$'000
Carrying amount at beginning of the reporting period	**7,192**	11,939
Exchange realignment	**(21)**	1,034
Amortisation	**(154)**	(387)
Disposal of a subsidiary (note 32)	**–**	(4,188)
Disposal	**–**	(1,206)
Transfer to non-current assets held for sale	**(2,339)**	–
Carrying amount at end of the reporting period	**4,678**	7,192
Analysed for reporting purpose as:		
Current assets	**121**	178
Non-current assets	**4,557**	7,014
	4,678	7,192

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

At 30 September 2012, the Group's prepaid lease payments amounting to approximately HK$4,678,000 (2011: HK$7,058,000) were pledged to secure bank borrowings granted to the Group (note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

20. Financial Assets

Financial assets at FVTPL as at 30 September comprise:

	2012	2011
	HK$'000	HK$'000
Fair value:		
Securities listed in Hong Kong held for trading	**66,713**	38,798

The fair values of the Group's financial assets at FVTPL were determined based on the quoted market bid prices available on the relevant exchanges at the end of the reporting period.

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments Disclosures, with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;

– Level 2 (mid level): fair values measured using quoted process in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Securities listed in Hong Kong held for trading

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 30 September 2012	**66,713**	**–**	**–**	**66,713**
As at 30 September 2011	38,798	–	–	38,798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

21. Inventories

	2012 HK$'000	2011 HK$'000
Raw materials	**8,608**	8,668
Work in progress	**2,150**	1,817
Finished goods	**33,515**	35,950
	44,273	46,435

22. Trade and Bills Receivables

	2012 HK$'000	2011 HK$'000
Trade and bills receivables	**30,158**	48,585
Less: Allowance for bad and doubtful debts	**(18,367)**	(29,386)
	11,791	19,199

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

	2012 HK$'000	2011 HK$'000
0 – 90 days	**6,290**	11,045
91 – 180 days	**3,166**	3,391
181 – 365 days	**2,320**	4,753
Over 365 days	**15**	10
	11,791	19,199

Ageing analysis of trade receivables past due but not impaired:

	2012 HK$'000	2011 HK$'000
91 – 180 days	**3,166**	3,391
181 – 365 days	**2,320**	4,753
Over 365 days	**15**	10
	5,501	8,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

22. Trade and Bills Receivables – *Continued*

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

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

	2012	2011
	HK$'000	HK$'000
Balance at beginning of the reporting period	**29,386**	21,392
Exchange realignment	**(86)**	1,455
Write back of allowance for bad and doubtful debts	**–**	(897)
Allowance for bad and doubtful debts recognised	**–**	7,436
Transfer to assets held for sale	**(10,933)**	–
Balance at end of the reporting period	**18,367**	29,386

The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. At the end of the reporting period, included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of approximately HK$18,367,000 (2011: HK$29,386,000).

23. Prepayments and Other Receivables

At the end of each of the reporting period, included in the allowance for doubtful debts were individually impaired other receivables with an aggregate balance of approximately HK$800,000 (2011: HK$559,000). The individually impaired receivables are recognised based on the aging analysis and current business relationship. The movement in the allowance for bad and doubtful debts is as follows:

	2012	2011
	HK$'000	HK$'000
Balance at beginning and end of the reporting period	**559**	559
Other receivables allowance for bad and doubtful debts	**241**	–
	800	559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

24. Bank Balances and Cash

Bank balances and cash comprise short-term bank deposits carry interest at prevailing deposit rates.

Included in cash and bank balances, there is a total balance amounting to RMB5,232,000 (equivalent to HK$6,397,000) (2011: RMB6,208,000 (equivalent to HK$7,614,000)) denominated in RMB which is not a freely convertible currency.

The bank balances and cash are denominated in the following currencies:

	2012 **HK$'000**	2011 HK$'000
Hong Kong dollar	**31,880**	17,451
Renminbi	**6,397**	7,614
	38,277	25,065

25. Discontinued Operation/Assets Held for Sale

At the end of April 2012, the Company first became aware of an announcement issued by the SFDA, accusing that ZS Capsules, an indirectly owned subsidiary of the Company, has committed serious misconduct. As a result, the SFDA has directed ZJFDA to revoke the manufacturing and production licence of ZS Capsules in accordance with the statutory procedures, and relevant individuals are under criminal investigation by the relevant authorities.

Pursuant to a sale and purchase agreement dated 14 December 2012, the Group disposed of its 61.11% shares in ZS Capsules for an aggregate consideration of HK$500,000.

The results of the discontinued operation included in the consolidated statement of comprehensive income are set out below:

	2012 **HK$'000**	2011 HK$'000
Loss for the year from discontinued operation		
Revenue	**9,870**	18,568
Expenses	**(17,789)**	(21,269)
Loss before tax	**(7,919)**	(2,701)
Income tax expense	**–**	(333)
Loss for the year	**(7,919)**	(3,034)
Loss attributable to:		
Equity holders of the Company	**(5,839)**	(549)
Non-controlling interests	**(2,080)**	(2,485)
Cash flows from discontinued operation		
Net cash (used in)/from operating activities	**(901)**	373
Net cash used in investing activities	**(49)**	(338)
Net cash (used in)/from financing activities	**(806)**	1,593
Net cash flows	**(1,756)**	1,628

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

25. Discontinued Operation/Assets Held for Sale – *Continued*

The major classes of assets and liabilities classified as held for sale as at 30 September 2012 which have been presented separately in the consolidated statement of financial position, are as follows:

	2012 HK$'000	2011 HK$'000
Property, plant and equipment	13,148	11,116
Prepaid lease payment	2,339	2,479
Inventories	342	1,684
Trade receivables	12,587	9,600
Deposits, prepayments and other receivables	4,445	2,399
Tax recoverable	35	35
Bank balances and cash	256	2,012
Total assets classified as held for sale	33,152	29,325
Trade payables	(4,787)	(4,460)
Other payables and accruals	(9,584)	(6,812)
Bank borrowings	(2,812)	(2,821)
Amount due to a minority shareholder	(614)	(774)
Other unsecured loans	(7,106)	(7,125)
Total liabilities associated with assets classified as held for sale	(24,903)	(21,992)
Net assets classified as held for sale	8,249	
Less: impairment	(7,431)	
Assets held for sale	818	

26. Trade and Bills Payables

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

	2012 HK$'000	2011 HK$'000
0 – 90 days	5,664	12,151
91 – 180 days	35	745
181 – 365 days	191	472
Over 365 days	2,733	9,331
	8,623	22,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

27. Other Payables and Accruals

	Notes	2012 HK$'000	2011 HK$'000
Salary and wages payable		**1,722**	1,920
Receipt in advance		**3,409**	6,417
Accruals and others	(a)	**28,020**	9,320
Provision for value-added tax, business tax and other government duties		**13,670**	13,710
Amount due to an ex-director, Mr. Yang Honggen	(b)	**15,480**	16,508
Advance from independent third parties	(c)	**958**	4,483
		63,259	52,358

Notes:

(a) Accruals and others include HK$14,515,000 (2011: Nil) of margin payable which are general from investment in financial assets at FVTPL with interest rate ranged from 8% to 13% per annum for the year ended 30 September 2012 (2011: Nil).

(b) The amount of HK$15,480,000 (2011: HK$16,508,000) is unsecured, bearing interest at 6.903% per annum (2011: 6.903% per annum) and repayable on demand.

(c) The advances are unsecured, interest-free and repayable on demand.

28. Bank and Other Borrowings

	2012 HK$'000	2011 HK$'000
Secured bank borrowings	**12,228**	15,085
Unsecured other borrowings	**–**	7,125
	12,228	22,210
Carrying amount repayable:		
Less than one year	**12,228**	22,210

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

At 30 September 2012, secured bank borrowings of approximately HK$12,228,000 (2011: HK$15,085,000) were secured by buildings and prepaid lease payments of the Group with aggregate carrying amount of approximately HK$10,624,000 (2011: HK$21,685,000). At 30 September 2012, no secured bank borrowings (2011: HK$12,264,000) were guaranteed by the Chief Executive Officer ("CEO") and an ex-director of the Company (note 38).

The bank borrowings carried interest ranging from 6.37% to 6.57% (2011: 6.37% to 6.57%) per annum.

The other borrowings as at 30 September 2011 were unsecured and carried interest ranging from 9.01% to 16.2% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

29. Amount Due to a Non-controlling Shareholder

The amount due to a non-controlling shareholder is unsecured, interest-fee and repayable on demand.

30. Deferred Taxation

At the end of the reporting period, the Group had unused tax losses of approximately HK$194,249,000 (2011: HK$227,799,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits stream. Such tax losses can be carried forward for 5 years from the year in which the respective loss arose.

31. Share Capital

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 October 2010, 30 September 2011, 1 October 2011 and 30 September 2012	2,000,000,000	200,000
Issued and fully paid:		
At 1 October 2010	533,400,000	53,340
Issue of shares by placement at HK$0.215 each (note (a))	106,680,000	10,668
Issue of shares by placement at HK$0.27 each (note (b))	128,000,000	12,800
Issue of shares by placement at HK$0.27 each (note (b))	192,000,000	19,200
Total issue of shares for the year	426,680,000	42,668
At 30 September 2011 and 1 October 2011	960,080,000	96,008
Issue of shares by placement at HK$0.155 each (note (c))	192,000,000	19,200
At 30 September 2012	1,152,080,000	115,208

Notes:

(a) Pursuant to the placing agreement dated 10 February 2010, the Company allotted and issued 106,680,000 new shares on 10 March 2010, to not fewer than six placees at the placing price of HK$0.215 each. The Placees are third parties independent of and not connected with the Group. The new shares rank pari passu with the existing shares in all respects.

(b) Pursuant to the placing agreement dated 24 March 2010, the Company allotted and issued a total of 320,000,000 new shares on 9 April 2010 and 13 August 2010, to not fewer than six placees at the placing price of HK$0.27 each. The Placees are third parties independent of and not connected with the Group. The new shares rank pari passu with the existing shares in all respects.

(c) Pursuant to the placing agreement dated 21 March 2012, the Company allotted and issued a total of 192,000,000 new shares on 14 September 2012, to not fewer than six placees at the placing price of HK$0.155 each. The Placees are third parties independent of and not connected with the Group. The new shares rank pari passu with the existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

32. Share Option Scheme

(a) Scheme

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

32. Share Option Scheme – *Continued*

(b) Options granted

Summary of the share options granted is as follows:

(i) Movement in number of share options

	2012	2011
Number of share options		
At beginning of the reporting period	**50,000,000**	50,000,000
Granted during the year	**70,000,000**	–
At end of the reporting period	**120,000,000**	50,000,000

(ii) Details of the share options granted

Date of grant	Exercisable period	Number of share options granted	Exercise price HK$	Fair value at date of grant HK$
9 April 2010	9 April 2010 – 8 April 2020	50,000,000	0.355	0.1732
22 March 2012	22 March 2012 – 21 March 2015	70,000,000	0.200	0.0405

The average fair value of the share options granted during the year ended 30 September 2012 is HK$0.0405 each. Options were priced using the Black-Scholes Option Pricing Model. As it requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

The expected volatility is based on the historical volatility of the share prices of the Company over a period that is equal to the expected life before the grant date.

The vesting period of the share options is from the date of grant until the commencement of the exercise period. The share options would be fully exercisable from the commencement of the exercise period.

The fair value of the shares options granted in the year as determined by using the Black-Scholes Option pricing model was approximately HK$2,835,000 of which approximately HK$2,838,000 was recognised in profit or loss in the year ended 30 September 2012.

None of the share options granted have lapsed or been cancelled or exercised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

33. Operating Lease Commitments

	2012 HK$'000	2011 HK$'000
Minimum lease payments under operating lease during the year in relation to office premises, warehouses and staff quarters	**2,095**	1,450

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

	2012 HK$'000	2011 HK$'000
Within one year	**1,319**	1,538
In the second to fifth year inclusive	**130**	1,054
	1,449	2,592

Leases are negotiated and rentals are fixed for terms of 1 year to 3 years (2011: 1 year to 3 years).

34. Pledge of Assets

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

	2012 HK$'000	2011 HK$'000
Property, plant and equipment	**5,945**	14,627
Prepaid lease payments	**4,678**	7,058
Financial assets	**66,713**	38,798
Cash held in margin accounts with stock brokers included in "Prepayments and other receivables"	**386**	11,906
	77,722	72,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

35. Retirement Benefits Scheme

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

The relevant subsidiaries are required to make contributions to the defined contribution pension scheme in the PRC based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to a retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The pension scheme contributions made by the Group was approximately HK$1,780,000 for the year (2011: HK$1,505,000).

36. Statement of Financial Position of the Company

	2012	2011
	HK$'000	HK$'000
NON CURRENT ASSETS		
Property, plant and equipment	**868**	1,157
CURRENT ASSETS		
Prepayments and other receivables	**1,336**	1,193
Amounts due from subsidiaries (note)	**151,460**	127,306
Bank balances and cash	**16,184**	17,224
	168,980	145,723
CURRENT LIABILITIES		
Other payables and accruals	**887**	887
Amounts due to directors (note)	**–**	–
Amounts due to subsidiaries (note)	**10,258**	10,264
	11,145	11,151
NET CURRENT ASSETS	**157,835**	134,572
	158,703	135,729
CAPITAL AND RESERVES		
Share capital	**115,208**	96,008
Reserves	**43,495**	39,721
	158,703	135,729

Note: The amounts due from (to) subsidiaries and directors are unsecured, interest-free and repayable on demand.

As at 30 September 2012, the aggregate amount of reserves of the Company available for distribution to equity shareholders of the Company was approximately HK$175,349,000 (2011: HK$162,695,000). The distributable reserves which include the Company's share premium and other reserves, under the Companies Law of the Cayman Islands, are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

37. Particulars of Subsidiaries

Details of the subsidiaries held by the Company as at 30 September 2012 are as follows:

Name of company	Place of incorporation/ registration/ operation	Issued and fully paid up share capital/ registered capital	Proportion ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Wallfaith Company Limited	British Virgin Islands ("BVI")	Ordinary shares US$100	100%	–	Investment holding
Suzhou Longlifu Health Food Co., Ltd. 蘇州朗力福保健品有限公司 *(Note a)*	PRC	Registered capital RMB70,000,000	–	100%	Manufacture and sale of health related products, household commodities and health supplement wine
Smiston Technology Limited	BVI	Ordinary shares US$50,000	–	100%	Investment holding
Splendid Rich Holdings Limited	BVI	Ordinary shares US$100	100%	–	Investment holding and trading of securities
Suzhou Beautiful Biochemistry Co., Ltd. 蘇州別特福生化有限公司 *(Note a)*	PRC	Registered capital US$3,800,000	–	100%	Manufacture of household commodities for daily use
China Dental Technology Group Limited *(Note b)*	BVI	Ordinary shares US$1	100%	–	Investment holding
Suzhou Longlifu Trading Co., Ltd. 蘇州朗力福商貿有限公司 *(Note c)*	PRC	Registered capital RMB5,000,000	–	100%	Trading of household commodities and health related products
Suzhou Longlife Medical Devices Co., Ltd. 蘇州朗力福醫療器械有限公司 *(Note c)*	PRC	Registered capital RMB5,000,000	–	100%	Sales of dental materials and equipment
Suzhou Anderson Medical Devices Co., Ltd. 蘇州安德森醫療器械有限公司 *(Note c)*	PRC	Registered capital RMB1,000,000	–	100%	Inactive
Splendid Sun Limited	HK	Ordinary shares HK$1	100%	–	Trading of synthetic rubber

Notes:

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

b. The name of China Dental Technology Group Limited was subsequently changed to Sinogate Energy Limited on 11 October 2012.

c. These subsidiaries are limited companies established in the PRC.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

38. Related Party and Connected Transactions

(a) Outstanding balances with related parties

(i) As at 30 September 2012, no secured bank borrowings (2011: HK$12,264,000) were guaranteed by the CEO and an ex-director of the Company, Mr. Yang Shunfeng.

(b) Transactions with related parties

Details of the transactions with related parties during the year:

On 15 November 2010, the Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office promises for 3 years. Under the agreement, the Company shared 50% of the rent on a cost basis.

The Company confirms that the joint tenancy agreement as disclosed above falls under the definition of continuing connected transactions in Chapter 20 of the GEM Listing Rules and that it should be exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Note: Capital VC Limited is substantial shareholder of the Company.

(c) Compensation of key management personnel

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

	2012	2011
	HK$'000	HK$'000
Short-term benefits	**2,030**	2,126
Post-employment benefits	**16**	16
	2,046	2,142

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

39. Contingent Liabilities

The Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 30 September 2012, the maximum rental liabilities of the Company should there be any default of rental payment of Capital VC Limited would be HK$1,054,000 (2011: HK$2,460,000).

40. Event after the End of the Reporting Period

Subsequent to the end of the reporting period, the Group entered into an agreement to dispose of its 61.11% interest in ZS Capsules at a consideration of HK$500,000.

41. Comparative Figures

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

FINANCIAL SUMMARY

Results

	For the year ended 30 September				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
Turnover	272,277	160,522	84,184	45,017	**110,109**
Cost of sales	(111,725)	(71,641)	(43,700)	(41,124)	**(63,672)**
Gross profit	160,552	88,881	40,484	3,893	**46,437**
Other income	1,001	2,046	9,968	3,233	**(7,646)**
Impairment loss recognised in respect of goodwill	–	(5,525)	–	–	**–**
Restructuring and redundancy cost	–	(35,030)	(2,107)	–	**–**
Administrative expenses	(32,192)	(29,886)	(33,951)	(23,491)	**(33,138)**
Selling and distribution expenses	(161,715)	(98,170)	(27,715)	(22,903)	**(24,550)**
Other expenses	(768)	(2,367)	(2,967)	(3,074)	**–**
Finance costs	(2,769)	(3,388)	(1,730)	(3,253)	**(3,795)**
Loss before tax	(35,891)	(83,439)	(18,018)	(45,595)	**(22,692)**
Income tax expense	(1,534)	(978)	(47)	(445)	**(86)**
Loss for the year	(37,425)	(84,417)	(18,065)	(46,040)	**(22,778)**
Loss attributable to:					
Equity holders of the Company	(38,187)	(83,561)	(16,465)	(43,555)	**(20,698)**
Non-controlling interests	762	(856)	(1,600)	(2,485)	**(2,080)**
Loss for the year	(37,425)	(84,417)	(18,065)	(46,040)	**(22,778)**

Assets and liabilities

	As at 30 September				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
Total assets	248,330	155,070	247,518	195,829	**190,925**
Total liabilities	(113,789)	(105,892)	(100,801)	(98,100)	**(84,110)**
Total equity	134,541	49,178	146,717	97,729	**106,815**
Non-controlling interests	(7,393)	(6,214)	(4,724)	(2,405)	**(318)**
Equity attributable to equity holders of the Company	127,148	42,964	141,993	95,324	**106,497**