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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2011

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

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

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

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

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Longlife Group Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 September 2011, together with the comparative figures in 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Turnover	6	**45,017**	84,184
Cost of sales		**(41,124)**	(43,700)
Gross profit		**3,893**	40,484
Other income	7	**3,233**	9,968
Restructuring and redundancy costs	8	**–**	(2,107)
Administrative expenses		**(23,491)**	(33,951)
Selling and distribution expenses		**(22,903)**	(27,715)
Other expenses		**(3,074)**	(2,967)
Finance costs	9	**(3,253)**	(1,730)
Loss before tax	10	**(45,595)**	(18,018)
Income tax expense	11	**(445)**	(47)
Loss for the year		**(46,040)**	(18,065)
Other comprehensive income:			
Exchange differences on translation of foreign operations		**1,097**	673
Total comprehensive loss for the year		**(44,943)**	(17,392)
Loss attributable to:			
Equity holders of the Company		**(43,555)**	(16,465)
Non-controlling interests		**(2,485)**	(1,600)
		(46,040)	(18,065)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(42,624)**	(15,902)
Non-controlling interests		**(2,319)**	(1,490)
		(44,943)	(17,392)
Dividends	12	**–**	–
Loss per share (HK cents)	13		
– basic		**(4.54)**	(2.42)
– diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Goodwill		**–**	–
Property, plant and equipment		**28,986**	44,966
Prepaid lease payments		**7,014**	11,514
		36,000	56,480
CURRENT ASSETS			
Prepaid lease payments		**178**	425
Financial assets		**38,798**	19,485
Inventories		**46,435**	36,092
Trade and bills receivables	14	**19,199**	28,282
Prepayments and other receivables		**30,154**	18,267
Tax recoverable		**–**	44
Bank balances and cash		**25,065**	88,443
		159,829	191,038
CURRENT LIABILITIES			
Trade and bills payables	15	**22,699**	19,527
Other payables and accruals		**52,358**	61,711
Bank and other borrowings		**22,210**	18,124
Tax payable		**59**	–
Amounts due to a non-controlling shareholder		**774**	971
Amounts due to directors		**–**	468
		98,100	100,801
NET CURRENT ASSETS		**61,729**	90,237
NET ASSETS		**97,729**	146,717
CAPITAL AND RESERVES			
Share capital		**96,008**	96,008
Reserves		**(684)**	45,985
Equity attributable to equity holders of the Company		**95,324**	141,993
Non-controlling interests		**2,405**	4,724
TOTAL EQUITY		**97,729**	146,717

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2011

	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 2009	53,340	15,479	–	22,443	15,479	3,098	27,813	(94,688)	42,964	6,214	49,178
Total comprehensive loss for the year	–	–	–	–	–	–	563	(16,465)	(15,902)	(1,490)	(17,392)
Share-based compensation	–	–	8,574	–	–	–	–	–	8,574	–	8,574
Issue of ordinary shares by placing	42,668	66,668	–	–	–	–	–	–	109,336	–	109,336
Less: Shares issue expenses on placing	–	(2,979)	–	–	–	–	–	–	(2,979)	–	(2,979)
At 30 September 2010 and 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	**96,008**	**79,168**	**8,574**	**22,443**	**15,479**	**3,098**	**25,262**	**(154,708)**	**95,324**	**2,405**	**97,729**

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.

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 and trading of securities in Hong Kong.

2. BASIS OF PREPARATION

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

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$46,040,000 for the year (2010: HK$18,065,000).

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

(a) the Group disposed of a subsidiary with its land use right located in the PRC to an independent third party at a consideration of approximately HK$8,830,000 (RMB7,200,000) in August 2011;

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

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

4. ADOPTION OF NEW AND REVISED HKFRSs

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010, as appropriate
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKAS 32 (Amendments)	Classification of Right Issues
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1], as appropriate
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[2]
HKFRS 7 (Amendments)	Financial instruments: Disclosure – Transfer of Financial Assets[2]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of interests in other entities[5]
HKFRS 13	Fair Value Measurement[5]
HKAS 1 (Revised)	Presentation of Financial Statements[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised)	Employee benefits[5]
HKAS 24 (Revised)	Related Party Disclosures[1]
HKAS 27 (Revised)	Separate Financial Statements[5]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]

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

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

3 Effective for annual periods beginning on or after 1 January 2012.

4 Effective for annual periods beginning on or after 1 July 2012.

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

The amendments to HKAS 1 have been issued to improve the presentation of other comprehensive income. The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future by presenting them separately from those that would never be reclassified to profit or loss. The application of the amendment to HKAS 1 might result in changes in presentation of the Group's statement of comprehensive income.

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

5. SEGMENT INFORMATION

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

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

Consolidated income statement

For the year ended 30 September 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*	**Consolidated** *HK$'000*
Turnover	**35,293**	**16,674**	**18,565**	**916**	**700**	**(27,131)**	**45,017**
Segment results	**385**	**(7,754)**	**(1,323)**	**(112)**	**(165)**	**(27,147)**	**(36,116)**
Other income							**3,233**
Unallocated corporate expenses							**(9,459)**
Finance costs							**(3,253)**
Loss before tax							**(45,595)**
Income tax expense							**(445)**
Loss for the year							**(46,040)**

For the year ended 30 September 2010

	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*	Consolidated *HK$'000*
Turnover	34,511	19,642	27,883	1,774	336	38	84,184
Segment results	(1,498)	(3,193)	(3,395)	66	(543)	(387)	(8,950)
Other income							9,968
Restructuring and redundancy costs							(2,107)
Unallocated corporate expenses							(15,199)
Finance costs							(1,730)
Loss before tax							(18,018)
Income tax expense							(47)
Loss for the year							(18,065)

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:

	2011	2010
	HK$'000	*HK$'000*
Customer A	**13,537**	13,119
Customer B	**10,999**	8,896

Consolidated statement of financial position

As at 30 September 2011

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

As at 30 September 2010

	Manufacturing and sales of consumer cosmetics	Manufacturing and sales of health related products	Manufacturing and sales of capsules products	Manufacturing and sales of health supplement wine	Manufacturing and sales of dental materials and equipment	Trading of financial assets at fair value through profit or loss	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets							
Segment assets	62,377	27,464	38,964	3,156	8,543	19,485	159,989
Unallocated corporate assets							87,529
Total assets							247,518
Liabilities							
Segment liabilities	41,764	29,272	15,838	2,835	4,433	–	94,142
Unallocated corporate liabilities							6,659
Total liabilities							100,801

Other segment information

For the year ended 30 September 2011

	Manufacturing and sales of consumer cosmetics	Manufacturing and sales of health related products	Manufacturing and sales of capsules products	Manufacturing and sales of health supplement wine	Manufacturing and sales of dental materials and equipment	Trading of financial assets at fair value through profit or loss	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	378	284	338	14	–	–	1,612	2,626
Amortisation of prepaid lease payments	275	45	65	2	–	–	–	387
Depreciation of property, plant and equipment	1,043	437	1,615	21	15	–	296	3,427
Impairment loss of obsolete stocks	1,664	1,248	–	59	–	–	–	2,971
Loss on disposal of a subsidiary	–	–	–	–	–	–	113	113
Loss on disposal of property, plant and equipment	186	140	–	7	–	–	2,183	2,516
Allowance for bad and doubtful debts	2,477	1,858	2,116	88	–	–	–	6,539

For the year ended 30 September 2010

	Manufacturing and sales of consumer cosmetics	Manufacturing and sales of health related products	Manufacturing and sales of capsules products	Manufacturing and sales of health supplement wine	Manufacturing and sales of dental materials and equipment	Trading of financial assets at fair value through profit or loss	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	1,234	245	341	24	4,058	–	–	5,902
Amortisation of prepaid lease payments	326	76	62	7	24	–	–	495
Depreciation of property, plant and equipment	1,420	663	1,530	65	20	–	–	3,698
Property, plant and equipment written off	59	43	–	4	–	–	–	106
Impairment loss recognised in respect of property, plant and equipment	1,931	–	–	–	589	–	–	2,520
Gain on disposal of prepaid lease payment	5,061	3,772	–	368	–	–	–	9,201
Impairment loss of obsolete stocks	7,660	5,233	–	511	–	–	–	13,404
Loss/(gain) on disposal of property, plant and equipment	76	(10)	–	(1)	–	–	–	65
Allowance for bad and doubtful debts	4,366	3,255	3,100	318	–	–	–	11,039

6. TURNOVER

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

	2011	2010
	HK$'000	*HK$'000*
Sales	**72,148**	84,146
Loss on financial assets at FVTPL	**(27,228)**	–
Dividend income	**97**	38
	45,017	84,184

7. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Gain on disposal of prepaid lease payments	**–**	9,201
Interest income	**199**	108
Rental income	**532**	–
Sundry income	**2,502**	659
	3,233	9,968

8. RESTRUCTURING AND REDUNDANCY COSTS

Since year 2009, the Group actively implemented a restructuring of its products distribution mode by converting direct sales system to dealership structure. To achieve so, the Group had shut down its inefficient sales networks and terminated certain of its employees. Relevant costs incurred in the process are as follows:

	2011	2010
	HK$'000	*HK$'000*
Employees termination compensation paid	**–**	2,107

9. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest expenses:		
– bank borrowings wholly repayable within five years	**1,405**	1,596
– other borrowings wholly repayable within five years	**1,438**	34
– discounted bills interest	**410**	100
	3,253	1,730

10. LOSS BEFORE TAX

	2011	2010
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Directors' emoluments	**2,142**	3,640
Other staff costs	**8,941**	8,831
Retirement benefits scheme contributions (excluding directors' remuneration)	**1,489**	1,451
Total staff costs	**12,572**	13,922
Allowance for bad and doubtful debts (included in administrative expenses)	**6,539**	11,039
Impairment loss of obsolete stocks (included in cost of sales)	**2,971**	13,404
Cost of inventories recognised as an expense	**41,124**	43,700
Auditor's remuneration	**420**	420
Amortisation of prepaid lease payments	**387**	495
Depreciation of property, plant and equipment	**3,427**	3,698
Property, plant and equipment written off	**–**	106
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	**–**	2,520
Loss on disposal of a subsidiary	**113**	–
Loss on disposal of property, plant and equipment	**2,516**	65
Net exchange loss	**5**	2

11. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
The amount comprises:		
Taxation arising in the PRC		
Current year	**112**	47
Under provision in prior years	**333**	–
	445	47

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, subsidiary of the Company in the PRC, Zhejiang Xinda Zhongshan Capsules Company Limited 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.

12. DIVIDENDS

No dividend was paid or proposed during the year ended 30 September 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

13. 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

	2011	2010
Loss attributable to the equity holders of the Company *(HK$'000)*	**(43,555)**	(16,465)
Weighted average number of ordinary shares in issue *('000)*	**960,080**	680,461
Basic loss per share *(HK cents)*	**(4.54)**	(2.42)

No diluted loss per share have been presented for the year ended 30 September 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.

No diluted loss per share have been presented for the year ended 30 September 2010 as there was no dilutive potential ordinary share.

14. TRADE AND BILLS RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade and bills receivables	**48,585**	49,674
Less: Allowance for bad and doubtful debts	**(29,386)**	(21,392)
	19,199	28,282

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:

	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**11,045**	10,365
91 – 180 days	**3,391**	8,762
181 – 365 days	**4,753**	9,147
Over 365 days	**10**	8
	19,199	28,282

Ageing analysis of trade receivables past due but not impaired:

	2011	2010
	HK$'000	*HK$'000*
91 – 180 days	**3,391**	8,762
181 – 365 days	**4,753**	9,147
Over 365 days	**10**	8
	8,154	17,917

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:

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the reporting period	**21,392**	10,043
Exchange realignment	**1,455**	310
Write back of allowance for bad and doubtful debts	**(897)**	(2,969)
Allowance for bad and doubtful debts recognised	**7,436**	14,008
Balance at end of the reporting period	**29,386**	21,392

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$29,386,000 (2010: HK$21,392,000).

15. TRADE AND BILLS PAYABLES

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

	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**12,151**	8,687
91 – 180 days	**745**	1,129
181 – 365 days	**472**	1,579
Over 365 days	**9,331**	8,132
	22,699	19,527

16. PLEDGE OF ASSETS

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

	2011	2010
	HK$'000	*HK$'000*
Property, plant and equipment	**14,627**	14,717
Prepaid lease payments	**7,058**	6,822
Financial assets	**38,798**	–
Cash held in margin accounts with stock brokers included in "Prepayments and other receivables"	**11,906**	–
	72,389	21,539

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the PRC's economy had experienced a complicated environment worldwide with a weak foreign demand and a decrease in exports. The government gave an impetus to the economy by substantial investments in order to maintain a stable growth of consumption. In light of high inflationary pressure, the government launched a rather tightened monetary policy. Facing the channel sinking of strong brands and low-price competition from low-end brands, the Group continued to take its initiative to streamline the domestic consumer goods business. As a result, the Group recorded a sales of approximately HK$72,148,000 for the year, representing a decrease of 14.3% as compared with the amount of HK$84,146,000 the corresponding period of last year.

The competitiveness of the Group's traditional consumer goods business continued to weaken, which was difficult to recover even after inputs of resources. Therefore, the Group continued to strengthen its business model of "asset minimization, focus on operation and full services" and implemented cost control measures by furthering the process of conversion and streamlining its inefficient networks in certain domestic markets to reduce the number of full-time and part-time employees.

Regarding the Group's business of financial assets investment, which was affected by the instable global investment environment for investment worldwide since the second quarter of 2011, the Group recorded a net loss on financial assets at FVTPL of approximately HK$27,228,000 during the year.

FINANCIAL REVIEW

As the implementation of the business model of "asset minimization, focus on operation and full services" was in progress, so as to streamline the inefficient sales networks, the sales in the segments of the traditional consumer goods businesses decreased in the period under review. As the global investment environment has changed to be unstable since the second quarter of 2011, the performance of the Group's investments in financial assets was affected.

Turnover

Turnover of the Group for the year ended 30 September 2011 were approximately HK$45,017,000, principally representing those for the traditional consumer goods businesses of approximately HK$72,148,000 and net loss derived in the Group's investments in financial assets of approximately HK$27,228,000. For the year ended 30 September 2010, the turnover of approximately HK$84,184,000 substantially represented the sales of the traditional consumer goods of approximately HK$84,146,000.

The decrease in sales for traditional consumer goods businesses of approximately HK$11,998,000, or approximately 14.3%, was mainly due to the conversion of the Group's sales model into an agency and dealership structure, and the continuous implementation of its strategy in streamlining low efficiency sales network. Loss of investments in financial assets was due to the unsatisfactory investment environment.

Gross profit

Gross profit for the year ended 30 September 2011 was approximately HK$3,893,000, representing those for traditional consumer goods businesses of approximately HK$31,024,000 and loss of investments in financial assets of approximately HK$27,228,000 and dividend income of approximately HK$97,000.

In connection with the traditional consumer goods businesses, gross profit for the current year decreased by approximately HK$9,422,000, or approximately 23.3%, when compared with the gross profit of approximately HK$40,446,000 for the year ended 30 September 2010. Gross margin for the year ended 30 September 2011 was approximately 43.0%, a decrease of approximately 5.1 percentage points when compared with the gross margin of approximately 48.1% for the year ended 30 September 2010. The decrease in gross margin was mainly due to the price reduction in response to the fierce competition from other manufacturers.

Administrative expenses

Administrative expenses for the year ended 30 September 2011 amounted to approximately HK$23,491,000, representing a decrease of approximately HK$10,460,000, or approximately 30.8%, when compared with approximately HK$33,951,000 for the year ended 30 September 2010. The decrease in administrative expenses was mainly due to decrease in impairment loss from trade and other receivables from HK$11,039,000 in the year ended 30 September 2010 to HK$6,539,000 in the year ended 30 September 2011.

Selling and distribution expenses

Selling and distribution expenses for the year ended 30 September 2011 amounted to approximately HK$22,903,000, representing a decrease of approximately HK$4,812,000, or approximately 17.4%, when compared with approximately HK$27,715,000 for the year ended 30 September 2010. The significant decrease in selling and distribution expenses was mainly due to the conversion of the Group's sales model into an agency and dealership structure and the continuous streamlining of low efficiency sales networks of its direct sales business in certain area of the PRC, as well as the result from the effect of cost control measures.

Loss for the year

Loss for the year ended 30 September 2011 was HK$46,040,000, representing a increase of approximately HK$27,975,000, when compared with loss of approximately HK$18,065,000 for the year ended 30 September 2010. The significant increase in loss for the year was principally due to the loss of investments in financial assets of HK$27,228,000.

Liquidity and financial resources

The Group had cash and bank balances of approximately HK$25,065,000 and HK$88,443,000 as at 30 September 2011 and 2010 respectively. Included in prepayments and other receivables was cash held in securities accounts of HK$11,906,000 as at 30 September 2011 (2010: Nil).

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30 September 2011, the Group had bank borrowings of approximately HK$15,085,000 (2010: approximately HK$17,950,000). The Group also had unsecured other borrowings of approximately HK$7,125,000 (2010: approximately HK$174,000), which are repayable within one year. The interests of such bank and other borrowings are usually accrued at fixed rates. Details of assets pledged by the Group to secure financing facilities are set out in note 16 to the consolidated financial statements of this announcement.

The gearing ratio (defined as total borrowings (including amounts due to a non-controlling shareholder and directors) to total assets) of the Group as at 30 September 2011 and 2010 were approximately 11.7% and approximately 7.9% respectively.

Currency and interest rate structure

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

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 2011, the maximum rental liabilities of the Company should there be any default of rental payment of Capital VC Limited would be HK$2,460,000 (2010: HK$4,222,000).

Capital commitments

	2011	2010
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of – acquisition of property, plant and equipment	**–**	394

Operating lease commitments

	2011	2010
	HK$'000	*HK$'000*
Minimum lease payments under operating lease during the year in relation to office premises, warehouses and staff quarters	**1,450**	313

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:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,538**	1,649
In the second to fifth year inclusive	**1,054**	2,573
	2,592	4,222

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

Employees' remuneration

As at 30 September 2011, the Group, directly and indirectly, had approximately 600 employees (2010: 720). Total staff costs for the year ended 30 September 2011 was approximately HK$12,572,000 (2010: approximately HK$13,922,000). The decrease of 9.7% in staff costs of the Group was mainly due to streamlining of marketing staff, management staff and manufacturing staff.

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

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

Material acquisitions and disposal of subsidiaries and affiliated companies

Except for disposal of Jiangsu Longlife Biochemistry Company Limited, the Group had no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 September 2011.

Details of future plans for material investment or capital assets

Save as disclosed above and in this section of "Management Discussion and Analysis", the Directors do not have any future plans for material investment or capital assets.

FUTURE OUTLOOK

As the competitiveness of the Group's domestic consumer goods business continue to weaken, profitability is difficult to recover and there are uncertainties in global investment environment for investment, the Group is exploring new businesses progressively and attempting to enter new business areas. Meanwhile, the Group is implementing cost control measures on its existing businesses in order to reduce loss or make turnaround, recover its profitability and enhance shareholder's value for the long run.

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 2011, 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, they are subject to retirement by rotation in accordance with the Company's articles of association.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 30 September 2011. 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 2011.

Audit Committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The Audit Committee is currently composed of three independent non-executive Directors, Mr. Chong Cha Hwa, Mr. Sham Chi Keung, William and Mr. Yeung Chi Tit (in stead of Ms. Chan Wai Yan following her resignation on 17 November 2011).

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 2011. The Audit Committee has reviewed the audited financial results of the Group for the year ended 30 September 2011.

Purchase, Sale or Redemption of Listed Securities of the Company

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

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

Hong Kong, 16 December 2011

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

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