



ONGLIFE 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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2013

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

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

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

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This 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 the Growth Enterprise Market 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 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.

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Longlife Group Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 31 March 2013 together with the comparative unaudited figures for the corresponding periods ended 31 March 2012, prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The unaudited consolidated results have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 March		Six months ended 31 March	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
	Notes				
Continuing operations					
Turnover	3	21,761	15,186	39,865	50,889
Cost of sales		(12,781)	(13,879)	(27,566)	(25,906)
Gross profit		8,980	1,307	12,299	24,983
Other income		(1,924)	150	254	293
Administrative expenses		(4,252)	(7,056)	(7,652)	(10,135)
Selling and distribution expenses		(7,857)	(8,176)	(14,860)	(12,698)
Other expenses		(19)	(138)	(23)	(142)
Finance costs	4	(711)	(528)	(1,503)	(1,656)
Profit/(Loss) before tax	5	(5,783)	(14,441)	(11,485)	645
Income tax expense	6	(133)	(18)	(144)	(63)
Profit/(Loss) from continuing operations		(5,916)	(14,459)	(11,629)	582
Discontinued operations	16				
Profit/(Loss) from discontinued operations net of tax		380	(432)	601	(1,571)
Loss for the period		(5,536)	(14,891)	(11,028)	(989)
Other comprehensive income:					
Exchange difference arising on translation of foreign operations		(47)	48	(85)	215
Total comprehensive income for the period		(5,583)	(14,843)	(11,113)	(774)
Loss attributable to:					
Equity holders of the Company		(5,536)	(14,723)	(11,028)	(379)
Non-controlling interests		-	(168)	-	(610)
		(5,536)	(14,891)	(11,028)	(989)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 March		Six months ended 31 March	
		2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i> (Restated)	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i> (Restated)
<i>Notes</i>					
Total comprehensive income					
attributable to :					
Equity holders of the Company		(5,583)	(14,675)	(11,113)	(178)
Non-controlling interests		–	(168)	–	(596)
		(5,583)	(14,843)	(11,113)	(774)
Dividend	7	–	–	–	–
Loss per share (<i>HK cents</i>)	8				
– basic		(0.48)	(1.53)	(0.96)	(0.04)
– diluted		N/A	N/A	N/A	N/A
Profit/(Loss) per share – continuing operations (<i>HK cents</i>)					
– basic		(0.51)	(1.51)	(1.01)	0.06
– diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Goodwill		–	–
Property, plant and equipment		12,222	14,150
Prepaid lease payments		5,250	4,557
		17,472	18,707
CURRENT ASSETS			
Prepaid lease payments		679	121
Financial assets		53,783	66,713
Inventories		36,077	44,273
Trade and bills receivables	9	23,897	11,791
Prepayments and other receivables		29,443	10,219
Tax recoverable		201	6
Bank balances and cash		14,787	38,277
Assets held for sale	16	600	818
		159,467	172,218
CURRENT LIABILITIES			
Trade and bills payables	10	8,707	8,623
Other payables and accruals	11	53,813	63,259
Bank and other borrowings		18,900	12,228
Tax payable		135	–
		81,555	84,110
NET CURRENT ASSETS		77,912	88,108
NET ASSETS		95,384	106,815
CAPITAL AND RESERVES			
Share capital	12	115,208	115,208
Reserves		(19,824)	(8,711)
Equity attributable to equity holders of the Company		95,384	106,497
Non-controlling interests		–	318
TOTAL EQUITY		95,384	106,815

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2013

	Attributable to equity holders of the Company										Total equity
	Share capital	Share premium	Share option reserve	Special reserve	Statutory surplus reserve fund	Statutory enterprise expansion fund	Exchange reserve	Accumulated losses	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2012 (Audited)	115,208	88,984	11,412	22,443	15,479	3,098	25,279	(175,406)	106,497	318	106,815
Loss for the period	-	-	-	-	-	-	-	(11,028)	(11,028)	-	(11,028)
Other comprehensive income											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(85)	-	(85)	-	(85)
Total comprehensive income for the period	-	-	-	-	-	-	(85)	(11,028)	(11,113)	-	(11,113)
Completion of disposal of discontinued operation	-	-	-	-	-	-	-	-	-	(318)	(318)
At 31 March 2013 (Unaudited)	115,208	88,984	11,412	22,443	15,479	3,098	25,194	(186,434)	95,384	-	95,384
At 1 October 2011 (Audited)	96,008	79,168	8,574	22,443	15,479	3,098	25,262	(154,708)	95,324	2,405	97,729
Loss for the period	-	-	-	-	-	-	-	(379)	(379)	(610)	(989)
Other comprehensive income											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	201	-	201	14	215
Total comprehensive income for the period	-	-	-	-	-	-	201	(379)	(178)	(596)	(774)
Share option scheme:											
- value of service	-	-	2,838	-	-	-	-	-	2,838	-	2,838
At 31 March 2012 (Unaudited)	96,008	79,168	11,412	22,443	15,479	3,098	25,463	(155,087)	97,984	1,809	99,793

Notes:

1. Special reserve represents the difference between the paid-up capital and share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.
2. Pursuant to the Articles of Association of certain subsidiaries of the Company in the People's Republic of China (the "PRC"), those subsidiaries should transfer not less than 10% of net profit to the statutory surplus reserve fund, while the rest of the Company's subsidiaries in the PRC can make appropriation of net profit to the statutory surplus reserve fund on a discretionary basis.

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM		
OPERATING ACTIVITIES	(12,361)	5,221
NET CASH OUTFLOW FROM		
INVESTING ACTIVITIES	(2,248)	(1,742)
NET CASH INFLOW/(OUTFLOW) FROM		
FINANCING ACTIVITIES	6,672	(9,663)
DECREASE IN CASH AND CASH EQUIVALENTS	(7,937)	(6,184)
Reclassified to assets held for sales	(15,468)	–
Cash and cash equivalents at beginning of period	38,277	25,065
Effect of foreign exchange rate changes	(85)	215
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,787	19,096

Notes:

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements ("Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Statements should be read in conjunction with the 2011/12 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2012.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 September 2012, as described in those annual financial statements.

Adoption of new and revised Hong Kong Financial Reporting Standard (HKFRSs)

In the Period, the Group has applied the following new and revised HKFRs and interpretations issued by the HKICPA.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The application of the above new and revised HKFRSs in the Period has had no material effect on the amounts reported in Interim Financial Statements.

New and revised HKFRSs and interpretations issued but not yet effective

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

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

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

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

The directors anticipate that the application of these new and revised HKFRSs, Interpretations and Amendment will have no material financial impact on the Interim Financial Statements of the Group.

2. Segment Information

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

Condensed consolidated income statement (Unaudited)

For the six months ended 31 March 2013

	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 asset at fair value through profit or loss HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Turnover	21,106	15,055	1,162	2,542	-	39,865	120,437	160,302
Segment results	(3,643)	(2,712)	(128)	420	(111)	(6,174)	778	(5,396)
Other income						254	-	254
Unallocated corporate expenses						(4,062)	(5)	(4,067)
Finance costs						(1,503)	(53)	(1,556)
Income tax expense						(144)	(119)	(263)
Profit/(Loss) for the period						(11,629)	601	(11,028)

For the six months ended 31 March 2012 (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 asset at fair value through profit or loss HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Turnover	20,787	12,231	905	1,741	15,225	50,889	8,818	59,707
Segment results	(3,707)	(2,979)	(141)	63	15,026	8,262	(757)	7,505
Other income						293	43	336
Unallocated corporate expenses						(6,254)	-	(6,254)
Finance costs						(1,656)	(857)	(2,513)
Income tax expense						(63)	-	(63)
Profit/(Loss) for the period						582	(1,571)	(989)

Condensed consolidated statement of financial position (Unaudited)

As at 31 March 2013

	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 asset at fair value through profit or loss HK\$'000	Trading of synthetic rubber HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Assets									
Segment assets	55,686	41,633	3,210	1,190	53,783	-	155,502	600	156,102
Unallocated corporate assets							20,837	-	20,837
Total assets							176,339	600	176,939
Liabilities									
Segment liabilities	38,491	17,832	1,537	681	-	-	58,541	-	58,541
Unallocated corporate liabilities							23,014	-	23,014
Total liabilities							81,555	-	81,555

Condensed consolidated statement of financial position (Audited)

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	1,066	67,099	15,468	158,365	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

Other information (Unaudited)

For the six months ended 31 March 2013

	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	Others HK\$'000	Continuing operation HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Capital expenditures	111	89	7	-	-	207	-	207
Depreciation of property, plant and equipment	457	255	19	8	145	884	-	884

For the six months ended 31 March 2012 (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	Others HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Capital expenditures	192	122	9	-	-	323	37	360
Depreciation of property, plant and equipment	459	239	18	25	145	886	668	1,554

3. Turnover

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

4. Finance costs

	Three months ended 31 March 2013 (Unaudited) HK\$'000		Six months ended 31 March 2013 (Unaudited) HK\$'000	
	2012 (Unaudited) HK\$'000 (Restated)		2012 (Unaudited) HK\$'000 (Restated)	

Continuing operations

Interest expenses:

- bank borrowings wholly repayable within five years	241	497	485	386
- other borrowings wholly repayable within five years	470	31	1,018	1,270
- discounted bills interest	-	-	-	-
	711	528	1,503	1,656

Discontinued operations

Interest expenses:

- bank borrowings wholly repayable within five years	-	223	-	779
- other borrowings wholly repayable within five years	-	-	53	-
- discounted bills interest	-	-	-	78
	-	223	53	857

5. Profit/(Loss) before tax

	Three months ended 31 March		Six months ended 31 March	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)

Profit/(Loss) before tax has been arrived at
after charging:

Continuing operations

Cost of inventories recognised as an expense	12,781	13,879	27,566	25,906
Depreciation of property, plant and equipment	374	440	884	886

Discontinued operations

Cost of inventories recognised as an expense	–	3,056	–	7,977
Depreciation of property, plant and equipment	–	332	–	668

6. Income tax expense

	Three months ended 31 March		Six months ended 31 March	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)

Continuing operations

The amount comprises:

Hong Kong profit tax current period	–	–	–	–
Taxation arising in the PRC current period	133	18	144	63

Discontinued operations

The amount comprises:

Hong Kong profit tax current period	119	–	119	–
Taxation arising in the PRC current period	–	–	–	–

Taxation arising in Hong Kong is calculated by applying the current rate of taxation of 16.5% (2012: 16.5%) to the estimated assessable profits earned in or derived from Hong Kong for the three months and six months ended 31 March 2013 (2012: nil).

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

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

7. Dividend

No dividend was paid or proposed during the six months ended 31 March 2013 nor has any dividend been proposed since the end of the reporting period (2012: nil).

8. 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 period.

For continuing and discontinued operations

	Three months ended 31 March		Six months ended 31 March	
	2013	2012	2013	2012
Loss attributable to the equity holders of the Company (HK\$'000)	(5,536)	(14,723)	(11,028)	(379)
Weighted average number of ordinary shares in issue ('000)	1,152,080	960,080	1,152,080	960,080
Basic loss per share (HK cents)	(0.48)	(1.53)	(0.96)	(0.04)

For continuing operations

	2013	2012 (Restated)	2013	2012 (Restated)
Loss attributable to the equity holders of the Company (HK\$'000)	(5,536)	(14,723)	(11,028)	(379)
Less: Profit/(Loss) attributable to the equity holders of the Company from discontinued operations (HK\$'000)	380	(264)	601	(961)
Profit/(Loss) attributable to the equity holders of the Company from continuing operations (HK\$'000)	(5,916)	(14,459)	(11,629)	582
Weighted average number of ordinary shares in issue ('000)	1,152,080	960,080	1,152,080	960,080
Basic profit/(loss) per share (HK cents)	(0.51)	(1.51)	(1.01)	0.06

Diluted loss per share

No diluted loss per share has been presented for the three months and six months ended 31 March 2013 and 2012 as there was no dilutive potential ordinary share for these periods.

9. Trade and bills receivables

	31 March 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
Trade and bills receivables	42,496	30,158
Less: Allowance for bad and doubtful debts	(18,599)	(18,367)
	23,897	11,791

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

	31 March 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
0 – 90 days	13,518	6,290
91 – 180 days	8,434	3,166
181 – 365 days	1,945	2,320
Over 365 days	–	15
	23,897	11,791

Ageing analysis of trade receivables past due but not impaired:

	31 March 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
91 – 180 days	8,434	3,166
181 – 365 days	1,945	2,320
Over 365 days	–	15
	10,379	5,501

10. Trade and bills payables

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

	31 March 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
0 – 90 days	5,632	5,664
91 – 180 days	451	35
181 – 365 days	130	191
Over 365 days	2,494	2,733
	8,707	8,623

11. Other payables and accruals

		31 March 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
	Notes		
Salary and wages payable		1,113	1,722
Receipt in advance		6,450	3,409
Accruals and others		27,578	28,020
Provision for value-added tax, business tax and other government duties		4,926	13,670
Amount due to an ex-director, Mr. Yang Honggen	(a)	12,780	15,480
Advance from independent third parties	(b)	966	958
		53,813	63,259

(a) The amount is unsecured, bearing interest at 6.903% per annum (30 September 2012: 6.903% per annum) and has no fixed term of repayment.

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

12. Share capital

	Number of shares '000	Amount HK\$'000
Authorized:		
Ordinary shares of HK\$0.10 each		
At beginning and end of period	2,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At beginning and end of period	1,152,080	115,208

13. Operating lease commitments

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

	31 March 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
Within one year	624	1,319
In the second to fifth year inclusive	263	130
	887	1,449

Leases are negotiated and rentals are fixed for terms of 1 year to 3 years (30 September 2012: 1 year to 3 years).

14. Pledge of assets

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

	31 March 2013 (Unaudited) HK\$'000	30 September 2012 (Audited) HK\$'000
Property, plant and equipment	6,020	5,945
Prepaid lease payments	4,738	4,678
Financial assets	53,783	66,713
Cash held in margin accounts with stock brokers included in "Prepayments and other receivables"	733	386
	65,274	77,722

15. Related party and connected transactions

(a) 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 premises 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.

(b) Compensation of key management personnel

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

	Three months ended		Six months ended	
	31 March		31 March	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	293	480	578	944

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

16. Discontinued operations/Assets held for sale

- (a) At the end of April 2012, the Company first became aware of an announcement issued by the State Food and Drug Administration ("SFDA"), accusing that Zhejiang Xinda Zhongshan Capsules Company Limited ("ZS Capsules"), an indirectly owned subsidiary of the Company, has committed serious misconduct. As a result, the SFDA has directed Zhejiang Food and Drug Administration 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. No gain or loss on disposal of its investment in ZS Capsules was recognised during the six months ended 31 March 2013.

As the manufacturing and production of capsule products of ZS Capsule have been ceased, no revenue and expense of ZS Capsule was recognized during the six months ended 31 March 2013. In addition, as the disposal transaction has been completed before the end of the reporting period, the assets held for sales as at 31 March 2013 are not related to ZS Capsules.

The results of ZS Capsules as discontinued operations included in the consolidated statement of comprehensive income are set out below:

	Three months ended		Six months ended	
	31 March		31 March	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Loss for the period from discontinued operation				
Revenue	–	3,395	–	8,818
Expenses	–	(3,827)	–	(10,389)
Loss before tax	–	(432)	–	(1,571)
Income tax expense	–	–	–	–
Loss for the period from discontinued operation	–	(432)	–	(1,571)

The major classes of assets and liabilities of ZS Capsules 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:

	<i>HK\$'000</i>
Property, plant and equipment	13,148
Prepaid lease payment	2,339
Inventories	342
Trade receivables	12,587
Deposits, prepayments and other receivables	4,445
Tax recoverable	35
Bank balances and cash	256
Total assets classified as held for sale	33,152
Trade payables	(4,787)
Other payables and accruals	(9,584)
Bank borrowings	(2,812)
Amount due to a minority shareholder	(614)
Other unsecured loans	(7,106)
Total liabilities associated with assets classified as held for sale	(24,903)
Net assets classified as held for sale	8,249
Less: impairment	(7,431)
Assets held for sale	818

- (b) On 26 March 2013, the Company entered into a sale and purchase agreement, to dispose of the entire issued share capital of Sinogate Energy Limited, at a cash consideration of HK\$28 million. The business of Sinogate Energy Limited group is trading of synthetic rubber. The transaction was approved at the extraordinary general meeting on 14 May 2013.

The results of Sinogate Energy Limited group as the discontinued operations included in the consolidated statement of comprehensive income are set out below:

	Three months ended 31 March		Six months ended 31 March	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period from discontinued operation				
Revenue	70,572	–	120,437	–
Expenses	(70,073)	–	(119,717)	–
Profit before tax	499	–	720	–
Income tax expense	(119)	–	(119)	–
Profit for the period from discontinued operation	380	–	601	–

The major classes of assets and liabilities of Sinogate Energy Limited group classified as held for sale as at 31 March 2013 which have been presented separately in the consolidated statement of financial position, are as follows:

	31 March 2013 HK\$'000	30 September 2012 HK\$'000 (Note i)
Trade deposits paid	23,252	–
Bank balances and cash	531	15,468
Total assets classified as held for sale	23,783	15,468
Tax Payables	(119)	–
Other payables and accruals	(8,064)	(484)
Other unsecured loans (Note ii)	(15,000)	(15,000)
Total liabilities associated with assets classified as held for sale	(23,183)	(15,484)
Assets held for sale	600	(16)

Notes:

- (i) The financial position of Sinogate Energy Limited group as at 30 September 2012 is not required to be restated as assets held for sale in condensed consolidated statement of financial position in this interim result announcement. These comparative figures are for reference in note 16(b) only.
- (ii) The loan of HK\$15,000,000 was due to the Company, which was unsecured, interest-free and repayable on demand. The loan receivable of HK\$15,000,000 was included in prepayments and other receivable of HK\$29,443,000 as at 31 March 2013.

17. Contingent liabilities

The Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 31 March 2013, the maximum rental liabilities of the Company due to default of rental payment of Capital VC Limited would be approximately HK\$352,000.

18. Events after the end of the reporting period

Subsequent to the end of the reporting period, the transaction of acquisition of a business of trading of pharmaceutical and healthcare products, which was entered into on 7 March 2013, was completed on 10 May 2013 and the transaction of disposal of the business of synthetic rubber, which was entered into on 26 March 2013, was approved at the extraordinary general meeting on 14 May 2013.

19. Comparative figures

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

BUSINESS REVIEW

During the six months ended 31 March 2013 ("Period 2013"), there were some changes in the mix of the Group's major businesses. In March 2013, the Group has disposed of its business of synthetic rubber, which has been completed subsequently on 14 May 2013. In this interim result announcement, the result of this business line was included in discontinued operations and the Group's interest in this business was reported as assets held for sales, together with the Company's interest in ZS Capsules, which was sold in December 2012. In addition, from 16 May 2012 onwards, the investments in financial assets have no longer been considered as one of the Group's major businesses.

To strength the Company's consumer products business, the Company acquired a business of trading of pharmaceutical and healthcare products in March 2013.

Revenue

For Period 2013, the Group recorded an unaudited turnover of approximately HK\$39.9 million. As compared to the turnover of approximately HK\$50.9 million for the six months ended 31 March 2012 ("Period 2012"), the Group's turnover decreased by 21.6%. Owing to unstable atmosphere covering 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 trading revenue of financial assets during Period 2012 amounted to approximately HK\$15.2 million. Excluding the trading revenue of financial assets, the Group's turnover for Period 2012 was adjusted to approximately HK\$35.7 million, which were wholly in relation to the PRC operations. The loss on trading of financial assets of approximately HK\$0.1 million for Period 2013 was included in other income.

The Group's turnover for PRC operations increased by 11.8%, from approximately HK\$35.7 million for Period 2012 to approximately HK\$39.9 million for Period 2013. The increase in sales for the Group's PRC operations was resulted from the full-fledged implementation of the business model of "asset minimization, focus on operation and full services".

Gross profit

Due to the reclassification of trading revenue of financial assets since 16 May 2012 as mentioned above, the gross profit decreased from approximately HK\$25.0 million for Period 2012 to approximately HK\$12.3 million for Period 2013. Excluding the profit of trading of financial assets of approximately HK\$15.2 million, the Group's gross profit in relation to the PRC consumer products businesses for Period 2013 increased by 25.5% from approximately HK\$9.8 million for Period 2012. The increase in gross profit was principally resulted from the increase in sales volume of high-end products in the current period.

Discontinued operations

As the Group's investment in ZS Capsules has been classified as assets held for sale in the last fiscal year as at 30 September 2012, the result (including revenue and expenses) generated by ZS Capsules for the Period 2012 was classified as net loss from discontinued operation, net of tax in this condensed consolidated statement of comprehensive income amounting to approximately HK\$1.6 million. As the manufacturing and production of capsule products have been ceased, no revenue and expenses of ZS Capsule was recognized in Period 2013.

The Group has disposed of its synthetic rubber business in March 2013 at a cash consideration of HK\$28 million, after considered that (i) trading of synthetic rubber is not regarded as a core business of the Group and may not have synergy with the Group's principal business in manufacture and sales of medical and health related products, (ii) the sales proceeds can enhance the cash flow of the Group which enables the Group to better utilize its resources to pursue the aforesaid principal businesses, and (iii) the terms of the sales and purchases agreement are in the interest of the Group.

Similar to ZS Capsule mentioned above, the result (including revenue and expenses) generated in synthetic rubber sector for Period 2013 was classified as net profit from discontinued operation, net of tax in this condensed consolidated statement of comprehensive income amounting to approximately HK\$0.6 million. As the Group has not yet commenced the business of synthetic rubber in Period 2012, no result related to synthetic rubber business was included in discontinued operations for that Period.

Results for the period

Although performance of the Group's PRC consumer products business has improved in Period 2013 as compared to that in Period 2012, the overall loss of approximately HK\$11.0 million was recorded in Period 2013 (Period 2012: HK\$1.0 million). The significant change in the Group's result is principally resulted from the performance of the Group's financial assets investment (loss of approximately HK\$0.1 million) in Period 2013 was not as outstanding as that in Period 2012, in which net profit of HK\$15.2 million was recorded.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent policy for its financial resources management. The Group had cash and cash equivalents of approximately HK\$14.8 million as at 31 March 2013 (30 September 2012: approximately HK\$38.3 million). Included in prepayments and other receivables was cash held in securities accounts of approximately HK\$0.7 million (30 September 2012: approximately HK\$0.4 million). The significant decrease in cash and cash equivalents is principally resulted from a loan of HK\$15 million granted in September 2012 to the subsidiary, the business of which is the synthetic rubber business, and that subsidiary is currently recorded as assets held for sale as at 31 March 2013.

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 31 March 2013, the Group had bank and other borrowings of approximately HK\$18.9 million (30 September 2012: approximately HK\$12.2 million). The interest of such bank and other borrowings usually accrue at fixed rates. More bank loans borrowed during Period 2013 was to support the expansion of operation scale of the Group's PRC consumer products business.

Details of assets pledged by the Group to secure banking facilities are set out in note 14 to the condensed consolidated financial statements.

The gearing ratio (defined as total borrowings (including amount due to an ex-director, Mr. Yang Honggen) to total assets) of the Group as at 31 March 2013 and 30 September 2012 were approximately 17.9% and approximately 14.5% respectively, which were maintained at a low level.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 7 March 2013, the Group has acquired a group, the principal business activity of which is trading pharmaceutical and health care products at a consideration of HK\$45.6 million, which shall be satisfied by the allotment and issue of 190 million new shares of the Company. The transaction has been completed on 10 May 2013 (see the Company's announcements dated 7 March 2013 and 10 May 2013 for further details).

On 26 March 2013, the Group has disposal of its entire interests in Sinogate Energy Limited at a cash consideration of HK\$28 million. The principal business of Sinogate Energy Limited group is trading of synthetic rubber. The transaction has been approved at the extraordinary general meeting held on 14 May 2013 (see the Company's announcement dated 26 March 2013 and its circular dated 19 April 2013 for further details).

Save as disclosed above, the Company does not have any significant acquisition and disposal of subsidiaries during the six months ended 31 March 2013.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2013 (2012: nil).

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 the six months ended 31 March 2013.

CONTINGENT LIABILITIES

The Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 31 March 2013, the maximum rental liabilities of the Company due to default of rental payment of Capital VC Limited would be HK\$0.4 million.

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 allocate more resources in conquering the market share for generating revenue and continue its policy of implementation of cost control measures.

Continuing to deepen the implementation of the business model of “asset minimization, focus on operation and full services” is still the primary objective of the Group regarding its consumer products business. In addition, the Group is actively exploring other attractive business opportunities in pharmaceutical and health care products, so as to broaden the market share in this market sector.

The Directors believe the above measures will contribute to realize the Group’s objective to maintain its profitability and enhance shareholders’ value for the long run.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions and disposals of subsidiaries and associated companies for the six months ended 31 March 2013.

EMPLOYEES’ REMUNERATION

As at 31 March 2013, the Group, directly and indirectly, had 453 employees which are mainly located in the PRC. The staff costs for the six months ended 31 March 2013 was approximately HK\$8,939,000.

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

The employees of the subsidiaries are members of retirement benefits scheme according to the statutory requirements. The relevant subsidiaries is required to make contributions to the defined contribution pension scheme based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations.

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

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including review of the unaudited condensed consolidated results of the Company for the six months ended 31 March 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors during the six months ended 31 March 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 March 2013, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the code provisions of Code on Corporate Governance Practices ("Code") set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 31 March 2013, except for the following deviations:-

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

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

Hong Kong, 14 May 2013

As at the date of this announcement, the executive directors of the Company are Mr. CHEUNG Hung (Chairman), Mr. WANG Zhixin and Mr. SEE Ching Chuen; and the independent non-executive directors of the Company are Mr. SHAM Chi Keung, William, Mr. YEUNG Chi Tit and Mr. KWOK Shun Tim.

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.longlife.com.hk.