



SINO LIFE

SINO-LIFE GROUP LIMITED 中國生命集團有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code: 8296



First Quarterly Report 2010



Live Life to
the Fullest

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 report, for which the directors (the “Directors”) of Sino-Life Group Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, include 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: (1) the information contained in this report is accurate and complete in all respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



- Turnover increased by approximately 22.9% to approximately RMB12.9 million (2009: approximately RMB10.5 million)
- Gross profit rose by approximately 19.0% to approximately RMB9.4 million (2009: approximately RMB7.9 million)
- Profit attributable to shareholders was approximately RMB2.5 million (2009: approximately RMB2.9 million)
- Basic and diluted earnings per share achieved RMB0.40 cents and RMB0.40 cents respectively (2009: RMB0.64 cents and RMB0.64 cents respectively)

Condensed Consolidated Quarterly Results for the three months ended 31 March 2010 (Unaudited)

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2010 together with the comparative unaudited figures for the corresponding periods in 2009, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 31 March	
		2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Turnover	3	12,879	10,516
Cost of sales		(3,438)	(2,587)
Gross profit		9,441	7,929
Other revenue		2,856	1,239
Other net income/(loss)		(62)	555
Selling expenses		(3,787)	(2,712)
Administrative expenses		(5,052)	(2,906)
Other operating expenses		-	(2)
Finance costs		(134)	(217)
Profit before taxation		3,262	3,886
Income tax expense	4	(759)	(982)
Profit for the period		2,503	2,904
Other comprehensive income/(loss) for the period, net of tax		(120)	50
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,383	2,954
Profit attributable to:			
Owners of the Company		2,503	2,904
Minority interests		-	-
		2,503	2,904
Total comprehensive income attributable to:			
Owners of the Company		2,383	2,954
Minority interests		-	-
		2,383	2,954
Earnings per share	6		
Basic		RMB0.40 cents	RMB0.64 cents
Diluted		RMB0.40 cents	RMB0.64 cents

COMBINED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital	Share premium	Merger reserve	Statutory reserve	Statutory surplus reserve	Properties revaluation reserve	Foreign currency translation reserve	Convertible bonds equity reserve	Accumulated losses	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 (audited)	366	39,624	(16,261)	225	515	325	2,912	496	(19,040)	9,162	-	9,162
Comprehensive income												
Profit for the period	-	-	-	-	-	-	-	-	2,904	2,904	-	2,904
Other comprehensive income												
Deficit on revaluation of land and buildings held for own use	-	-	-	-	-	(141)	-	-	-	(141)	-	(141)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	191	-	-	191	-	191
Total other comprehensive income	-	-	-	-	-	(141)	191	-	-	50	-	50
Total comprehensive income	-	-	-	-	-	(141)	191	-	2,904	2,954	-	2,954
Transactions with owners												
Profit appropriation to reserves	-	-	-	-	83	-	-	-	(83)	-	-	-
Total transactions with owners	-	-	-	-	83	-	-	-	(83)	-	-	-
At 31 March 2009 (unaudited)	366	39,624	(16,261)	225	598	184	3,103	496	(16,219)	12,116	-	12,116
At 1 January 2010 (audited)	58,706	82,204	(16,261)	225	838	851	1,947	-	(6,900)	121,610	-	121,610
Comprehensive income												
Profit for the period	-	-	-	-	-	-	-	-	2,503	2,503	-	2,503
Other comprehensive income												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	52	-	-	-	52	-	52
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(172)	-	-	(172)	-	(172)
Total other comprehensive income	-	-	-	-	-	52	(172)	-	-	(120)	-	(120)
Total comprehensive income	-	-	-	-	-	52	(172)	-	2,503	2,383	-	2,383
Transactions with owners												
Profit appropriation to reserves	-	-	-	-	129	-	-	-	(129)	-	-	-
Total transactions with owners	-	-	-	-	129	-	-	-	(124)	-	-	-
At 31 March 2010 (unaudited)	58,706	82,204	(16,261)	225	967	903	1,775	-	(4,526)	123,993	-	123,993

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2010

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on GEM of the Stock Exchange on 9 September 2009.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated first quarterly financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the company. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The unaudited condensed consolidated first quarterly financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgements in the process of applying the Group's accounting policies.

The accounting policies adopted in preparing the unaudited condensed consolidated first quarterly financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2009.

These unaudited condensed consolidated first quarterly financial statements are presented in Renminbi and all values are rounded to the nearest thousand (RMB'000), unless otherwise stated.

The condensed consolidated accounts have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. TURNOVER AND SEGMENTAL INFORMATION

The amount of each significant category of revenue recognised in turnover for the three months ended 31 March 2009 and 2010 (“the Relevant Periods”) is as follows:

	Three months ended 31 March	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Funeral services provided in funeral parlours and funeral services centres under the Group's management	6,345	5,256
Cremation services	3,738	2,849
Funeral arrangement services	2,276	2,411
Cemetery services	520	–
	12,879	10,516

Business information

The Group's revenue and contribution to profit from operating activities for the three months ended 31 March 2010 were mainly derived from funeral operation. Accordingly, no business segmental analysis is required.

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers.

	Revenues from external customers Three months ended 31 March	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Taiwan	2,276	2,411
The PRC	10,603	8,105
	12,879	10,516

4. INCOME TAX

- (i) The subsidiaries, Chongqing Xibao Funeral Technology Company Limited and Chongqing Xizhou Funeral Service Company Limited operating in the PRC, are subject to enterprise income tax rate at 25% (2009: 25%) in accordance with the Law of the People's Republic of China on Enterprises Income Tax (中華人民共和國企業所得稅法).
- (ii) Bau Shan Life Science Technology Co., Ltd., a direct subsidiary of the Company, is subject to enterprise income tax rate at 25% in accordance with the Income Tax Act and other relevant laws in Taiwan.
- (iii) No provision for Taiwan enterprise income tax has been made for Bau De Funeral Services Holdings Co., Ltd., an indirect subsidiary of the Company, as the subsidiary sustained losses during the Relevant Periods.
- (iv) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the Relevant Periods.
- (v) Provision for Hong Kong profits tax is not made as the Group does not derive any assessable profits in Hong Kong during the Relevant Periods.

5. DIVIDENDS

The directors do not recommend payment of any dividend for the three months ended 31 March 2010 (three months ended 31 March 2009: HK\$Nil).

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

Earnings per share for profit attributable to the equity holders of the Company

	Three months ended 31 March	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Earnings for the purpose of basic earnings per share and diluted earnings per share	2,503	2,904

	Number of shares	
	2010 '000	2009 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	622,500	450,000
Effect of dilutive potential ordinary share – Share options	3,577	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	626,077	450,000

Management Discussion and Analysis

BUSINESS REVIEW

The Group is pleased to report the first quarterly results for the three months ended 31 March 2010.

Since its listing on the Stock Exchange, Sino-Life Group Limited has focused on expanding both its business/geographic reach and its market share/scope of operations. Following the signing of an Operation and Management Contract with the Chongqing Zhong County Funeral Parlour (重慶市忠縣殯儀館) in November 2009, the Group has entered into another management contract in February 2010. The Group has also entered into an Operation and Management Contract with Chongqing An Fu Funeral Service Limited (重慶安福祭典禮儀服務有限公司) through Chongqing Xibao Funeral Technology Company Limited (重慶錫寶殯儀科技有限公司), an indirect wholly-owned subsidiary of the Group. Under the contract, the Group will manage the operations of An Fu Funeral Service Centre (安福堂治喪中心), located at No. 11 Jianxin West Road, Jiangbei District, Chongqing (重慶市江北區建新西路11號). An Fu Funeral Service Centre offers customer-oriented funeral services such as transportation and storage of remains, mourning ceremonies and sales of funeral-related products.

The term of the contract with Chongqing An Fu Funeral Service Limited is five years, commencing from 1 March 2010. The annual management fee shall be RMB2,200,000, during which time the Group will take over all the daily operations and would be entitled to all profits and responsible for all losses of An Fu Funeral Service Centre.

OUTLOOK

The PRC

With a population of approximately 1.3 billion in 2009, the PRC is the most populous country in the world. One of the noteworthy demographic trends in China is the aging of its population with an aged population of approximately 113 million in 2009. The mortality rate of the PRC in 2009 was 0.708% with approximately 9,430,000 total deaths, and has maintained a range of 0.640% to 0.708% during the last 10 years.

In 2009, the total population in Chongqing was approximately 28.6 million and the population aged 65 or above reached approximately 3.3 million, representing about 11.38% of the Chongqing total population. The percentage of the aged population in Chongqing exceeded that of the whole country which was 8.47%. The mortality rate in Chongqing was 0.62% in 2009.

In 2009, the total population in Sichuan Province was approximately 81.9 million with those aged 65 or above at approximately 8.7 million, representing about 10.67% of the Sichuan total population. The percentage of the aged population in Sichuan was also higher than that of the whole country. The mortality rate in Sichuan was 0.643% in 2009.

Taiwan

In 2009, the total population of Taiwan was approximately 23.12 million and the aged population has increased from about 1.87 million in 1999 to about 2.46 million in 2009, an increase of 31.55%. In 2009, the population aged 65 or above was 10.6% of the total population of Taiwan. The mortality rate in Taiwan was 0.62% in 2009.

The aging of population provides the funeral services industry with ample growth opportunities.

The Group is optimistic about the competitiveness and the ability of the Group to tap the enormous demand for funeral services in the industry, thus the Group successfully initiated a top-up placing, providing shares to strategic investors in April 2010. This placing has widened the shareholders' base and the share capital base of the Group, and, more importantly, provided stronger capital support which should prove beneficial to the Group's development and scale of operation. The Group has placed 120,000,000 shares to the strategic investors at a price of HK\$1.50 per placing share. The gross and net proceeds of the capital raising exercise are HK\$180,000,000 and approximately HK\$170,200,000 respectively. The funding would be utilised for future development of funeral business in the Greater China region and as general working capital. The price per placing share represents a slight discount of approximately 1.32% to the closing price HK\$1.52 prior to date of suspension of trading of the Company's shares on the Stock Exchange. The total number of placing shares represents 19.277% and 16.162% of the existing and enlarged issued share capital respectively.

In addition, the Group has been dedicated to expanding operations from Sichuan Province to other provinces and cities. In April 2010, the Group entered into an agreement with three individuals to set up a joint venture to establish a funeral service centre in Ningbo, Zhejiang Province. Regarding the registered capital of RMB10.0 million, the Group has to contribute RMB6.5 million as general working capital and the remaining RMB3.5 million is to be contributed by the three individuals. The Group is to hold 65% equity interest of the joint venture and the three individuals are to hold 35%. The joint venture will appoint three directors, two of whom are from the Group, and the third is to be appointed by the three independent individuals.

The major business of the joint venture is to set up a funeral service centre in Ningbo, Zhejiang Province to provide a wide range of funeral services such as transportation storage and refrigeration of remains, the production and sales of funeral products, and a cemetery business. The recent successful expansion of business from Chongqing Municipality and Sichuan Province to Zhejiang Province by the Group underscores our dedication to extend the scope of our business. Collaboration with the three individuals well experienced in funeral services in Ningbo enables the Group to establish its presence in the funeral services market within the populous Yangtse River Delta.

FINANCIAL REVIEW

For the three months ended 31 March 2010, the Group's turnover was approximately RMB12.9 million, representing an increase of 22.9% from approximately RMB10.5 million for the corresponding period of last year. The rise was mainly contributed by the expansion of operating in the PRC which also increased by approximately 30.8% for the three months ended 31 March 2010.

Cost of sales for the three months ended 31 March 2010 was approximately RMB3.4 million, rising by approximately 32.9% compared with the corresponding period in 2009. The increase in cost of sales was mainly attributable to the increase in the cost of sales in the PRC subsidiaries as part of the operations expansion in the PRC.

The other revenue and net income/(loss) for the three months ended 31 March 2010 was approximately RMB2.8 million compared with RMB1.8 million for the corresponding period in 2009. The rise was mainly due to an increase in commission income received as a result of the introduction of more cemeteries/cemetery services to the customers as part of the funeral services provided by the Group in the PRC and in Taiwan.

Selling expenses for the three months ended 31 March 2010 rose by approximately 39.6% to approximately RMB3.8 million as compared with the corresponding period in 2009. The increase in the amount of selling expenses was mainly attributable to the Group's increased rental and management costs, resulting from its expansion in the funeral parlour and funeral service centres management business in the PRC.

Administrative expenses rose by approximately 73.8% to approximately RMB5.1 million for the three months ended 31 March 2010 as a result of the effect of (i) an increase in the Group's staff costs due to increase in number of staff as a result of the expansion; (ii) an increase in depreciation and amortisation resulting from the increase in investment in the property, plant and equipment in the PRC; and (iii) an increase in other administrative costs after the listing of the Company.

The profit attributable to the shareholders for the three months ended 31 March 2010 was approximately RMB2.5 million compared with RMB2.9 million for the corresponding period of last year with the decline as a result of the cumulative effect from the above-mentioned factors.

The Group remained in a healthy and sound liquidity position as at 31 March 2010. The total bank balances and cash of the Group amounted to approximately RMB102.3 million. As at 31 March 2010, the Group had no other material capital commitments, material contracts or significant investment plans, except those disclosed in the listing document and above. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity facilities to meet operation requirements and acquisition opportunities. The Group's debt to equity ratio, defined as the Group's net debt divided by shareholders' fund, was nil.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group did not have any significant contingent liabilities.

Corporate Governance and Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2010, the relevant interests and short positions of the Directors or chief executive in the shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Liu Tien-Tsai	Personal	306,540,000	49.243%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

The register of substantial shareholders required to be kept under section 336 of Part XV of SFO showed that as at 31 March 2010, the Company was notified of the following substantial shareholders' interests, being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and chief executive:

Aggregate long positions in the Shares

Name of shareholders	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Yang YongSheng (<i>note 1</i>)	Personal	36,632,000	5.88%
	Family interest	9,160,000	1.47%
Yu WenPing (<i>note 1</i>)	Personal	9,160,000	1.47%
	Family interest	36,632,000	5.88%

Notes:

1. Yu WenPing, the spouse of Yang YongSheng, was deemed to be interested in all the interest of Yang YongSheng and vice versa.

COMPETING BUSINESS

As at 31 March 2010, none of the Directors, or any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and which was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective associates (as defined under the GEM Listing Rules) had any interest in a business, which competed or might compete with the business of the Group.

Share Option Scheme

On 11 February 2010, 60,000,000 share options to subscribe for 60,000,000 new ordinary shares of HK\$0.10 each were granted to 43 individuals under the share option scheme adopted by the Company on 24 August 2009, among which 6,420,000 share options were granted to 10 individuals who are directors of the Company or its subsidiaries.

On 12 February 2010, 6,420,000 share options being granted to the directors of the Company or its subsidiaries were cancelled. The remaining 33 individuals accepted the granted share options on 10 March 2010. The exercise price of each share option is HK\$1.18 per share.

Interests of the Compliance Adviser

As notified by Sun Hung Kai International Limited ("SHKI"), the Company's compliance adviser, neither SHKI nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2010.

Pursuant to the agreement dated 24 August 2009 entered into between SHKI and the Company, SHKI received and will receive fees for acting as the Company's compliance adviser.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

Corporate Governance

Save and except the following deviation from the code provision set out in the Code on Corporate Governance Practices as contained in Appendix 15 to the GEM Listing Rules (the "CCGP"), the Company had, during the period under review, complied with the CCGP.

Coder provisions set out in the CCGP	Reason for deviations
A.2 The Chairman and Chief Executive Officer of the Company were performed by the same individual.	The Company's size is still relatively small and thus not justified in separating the role of Chairman and Chief Executive Officer. The Group has in place internal control system to perform the check and balance function.

The Company is also in the progress of assessing the effect of the implementation of CCGP on the Company's operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the three months ended 31 March 2010.

Securities Transactions by Directors

During the period under review, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings as set out in its code of conduct regarding securities transactions by Directors.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises four independent non-executive Directors, namely Mr. Ching Clement Yat-biu (chairman of the audit committee), Mr. Chai Chung Wai, Mr. Lam Ying Hung Andy, Mr. Luo Xuegang.

The audit committee has reviewed the financial statements of the Group for the three-month period ended 31 March 2010 pursuant to the relevant provisions contained in the CCGP and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By order of the Board
Sino-Life Group Limited
Liu Tien-Tsai
Chairman and Executive Director

Hong Kong, 10 May 2010

As at the date hereof, the Board comprises Mr. Liu Tien-Tsai and Mr. Kim Eun Back being executive Directors of the Company; Mr. Niu Tse-Cheng and Mr. Zheng Yimin being non-executive Directors of the Company; and Mr. Chai Chung Wai, Mr. Ching Clement Yat-biu, Mr. Lam Ying Hung Andy, Mr. Luo Xuegang being independent non-executive Directors of the Company.