



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

**Live Life to  
the Fullest**



**Third Quarterly Report 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.

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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 material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.*

## Condensed Consolidated Quarterly Results for the nine months ended 30 September 2011 (Unaudited)

The board of Directors (the "Board") hereby presents the unaudited condensed consolidated results of the Group for the three months and the nine months ended 30 September 2011 together with the comparative unaudited figures for the corresponding periods in 2010, as follows:

### Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
<b>Turnover</b>	3	<b>21,471</b>	20,109	<b>57,702</b>	50,939
Cost of sales		<b>(10,663)</b>	(4,761)	<b>(23,128)</b>	(12,865)
<b>Gross profit</b>		<b>10,808</b>	15,348	<b>34,574</b>	38,074
Other revenue		<b>417</b>	67	<b>1,121</b>	4,520
Other net (loss)/gain		<b>(6,195)</b>	5,245	<b>(4,925)</b>	4,413
Selling expenses		<b>(5,541)</b>	(5,566)	<b>(16,270)</b>	(14,798)
Administrative expenses		<b>(10,030)</b>	(8,510)	<b>(29,720)</b>	(20,804)
Other operating expenses		<b>–</b>	(1)	<b>(160)</b>	(78)
Finance costs		<b>(51)</b>	(45)	<b>(216)</b>	(204)
<b>(Loss)/profit before taxation</b>		<b>(10,592)</b>	6,538	<b>(15,596)</b>	11,123
Income tax expense	4	<b>(162)</b>	(1,273)	<b>(626)</b>	(4,308)
(Loss)/profit for the period		<b>(10,754)</b>	5,265	<b>(16,222)</b>	6,815
Other comprehensive loss for the period, net of tax		<b>(3,899)</b>	(3,586)	<b>(8,414)</b>	(4,563)
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD</b>		<b>(14,653)</b>	1,679	<b>(24,636)</b>	2,252
(Loss)/profit attributable to:					
Owners of the Company		<b>(10,672)</b>	5,265	<b>(17,050)</b>	6,815
Non-controlling interests		<b>(82)</b>	–	<b>828</b>	–
		<b>(10,754)</b>	5,265	<b>(16,222)</b>	6,815
Total comprehensive (loss)/income attributable to:					
Owners of the Company		<b>(14,595)</b>	1,679	<b>(25,451)</b>	2,252
Non-controlling interests		<b>(58)</b>	–	<b>815</b>	–
		<b>(14,653)</b>	1,679	<b>(24,636)</b>	2,252
(Loss)/earnings per share					
Basic	6	<b>RMB(1.44) cents</b>	RMB0.71 cents	<b>RMB(2.30) cents</b>	RMB0.99 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	Share-based compensation 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
<b>At 1 January 2010 (audited)</b>	58,706	82,204	(16,261)	225	838	851	1,947	-	(6,900)	121,610	-	121,610
<b>Comprehensive income</b>												
Profit for the period	-	-	-	-	-	-	-	-	6,815	6,815	-	6,815
<b>Other comprehensive loss</b>												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	890	-	-	-	890	-	890
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(5,453)	-	-	(5,453)	-	(5,453)
Total other comprehensive loss	-	-	-	-	-	890	(5,453)	-	-	(4,563)	-	(4,563)
<b>Total comprehensive income</b>	-	-	-	-	-	890	(5,453)	-	6,815	2,252	-	2,252
<b>Transactions with owners</b>												
Shares issued upon placing of new shares	10,512	147,241	-	-	-	-	-	-	-	157,753	-	157,753
Issuing expenses	-	(9,485)	-	-	-	-	-	-	-	(9,485)	-	(9,485)
Incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	20	20
Profit appropriation to reserve	-	-	-	-	302	-	-	-	(302)	-	-	-
Equity-settled share-based transactions	-	-	-	-	-	-	-	3,583	-	3,583	-	3,583
<b>Total transactions with owners</b>	10,512	137,756	-	-	302	-	-	3,583	(302)	151,851	-	151,871
<b>At 30 September 2010 (unaudited)</b>	69,218	219,960	(16,261)	225	1,140	1,741	(3,506)	3,583	(387)	275,713	20	275,733
<b>At 1 January 2011 (audited)</b>	69,218	220,633	(16,261)	225	1,550	1,756	(1,230)	4,204	(6,507)	273,588	(214)	273,374
<b>Comprehensive loss</b>												
Loss for the period	-	-	-	-	-	-	-	-	(17,050)	(17,050)	828	(16,222)
<b>Other comprehensive loss</b>												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	217	-	-	-	217	-	217
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(8,618)	-	-	(8,618)	(13)	(8,631)
Total other comprehensive loss	-	-	-	-	-	217	(8,618)	-	-	(8,401)	(13)	(8,414)
<b>Total comprehensive loss</b>	69,218	220,633	(16,261)	-	-	217	(8,618)	-	(17,050)	(25,451)	815	(24,636)
<b>Transactions with owners</b>												
Equity-settled share-based payments	-	-	-	-	-	-	-	1,640	-	1,640	-	1,640
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	2,950	2,950
<b>Total transactions with owners</b>	-	-	-	-	-	-	-	1,640	-	1,640	2,950	4,590
<b>At 30 September 2011 (unaudited)</b>	69,218	220,633	(16,261)	225	1,550	1,973	(9,848)	5,844	(23,557)	249,777	3,551	253,328

## Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2011

### 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands and acts as an investment holding company. Its shares are listed on the GEM of the Stock Exchange on 9 September 2009. The principal activities of its principal subsidiaries are provision of funeral services.

The unaudited condensed consolidated third quarterly financial statements are presented in Renminbi ("RMB"), rounded up to the nearest thousand, except when otherwise indicated, as majority of the Group's transactions are denominated in RMB.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 30 September 2011 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2010. In the current period, the Group has applied, for the first time, a number of new or revised standards and interpretation ("new or revised HKFRSs") issued by HKICPA. The application of the new or revised HKFRSs in the current period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early adopted the new standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

### 3. TURNOVER

The amount of each significant category of revenue recognised in turnover for the nine months ended 30 September 2011 ("the Periods") is as follows:

	Nine months ended 30 September	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Funeral services provided in funeral parlours and funeral services centres under the Group's management	26,729	28,178
Cremation services	9,682	10,638
Funeral arrangement services	4,895	10,689
Cemetery services	1,970	1,434
Trading of raw marble	14,426	–
	57,702	50,939



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

	<b>Revenues from external customers Nine months ended 30 September</b>	
	<b>2011 RMB'000 (Unaudited)</b>	<b>2010 RMB'000 (Unaudited)</b>
Taiwan	14,680	10,689
The PRC	42,883	40,250
Hong Kong	139	–
	<b>57,702</b>	<b>50,939</b>

#### 4. INCOME TAX

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the nine months ended 30 September 2011 (2010: RMB Nil).
- (b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the British Virgin Islands for the nine months ended 30 September 2011 (2010: RMB Nil).
- (c) The subsidiaries operating in the PRC are subject to enterprise income tax rate at 25% (2010: 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).
- (d) Bau Shan Life Science Technology Co., Ltd. ("Bau Shan"), a direct subsidiary of the Company, is subject to enterprise income tax rate at 17% (2010: 17%) in accordance with the Income Tax Act and other relevant laws in Taiwan. No provision for 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 for the nine months ended 30 September 2011 (2010: RMB Nil).

#### 5. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for the three months and nine months ended 30 September 2011 are based on the unaudited loss attributable to owners of the Company of RMB10,672,000 (2010: profit of RMB5,265,000) and loss of RMB17,050,000 (2010: profit of RMB6,815,000) respectively and on the weighted average number of 742,500,000 (2010: 742,500,000) and 742,500,000 (2010: 691,071,428) ordinary shares in issue during the periods.

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

#### 6. DIVIDENDS

The directors do not recommend payment of any dividend for the nine months ended 30 September 2011 (2010: HK\$Nil).

## Management Discussion and Analysis

### Business review

For the nine months ended 30 September 2011, the Group's overall turnover rose by 13.4% to RMB57.7 million (2010: RMB50.9 million). The increase in turnover was mainly attributable to the Group's newly added business, the trading of raw marble, which commenced operation in April 2011. Turnover derived from marble trading reached RMB14.4 million, accounting for 25.0% of the Group's total revenue.

The Group acquired 55% of equity interest of Jing Run Limited ("Jing Run") by subscription of 550,000 shares of Jing Run of US\$1.00 each at a consideration of US\$550,000 (approximately RMB3.6 million) in April 2011. Established in 2010, Jing Run was mainly engaged in the trading of raw marble used for the construction of buildings and gravestones.

The funeral services business made up 75% (2010: 100%) of the Group's total turnover, reaching RMB43.3 million (2010: RMB50.9 million). Rongchang County Funeral Parlour and Lian Hua Tang commenced operation in January 2011. Lian Hua Tang is able to offer customers cremation services and other resources through collaboration with Jiang Nan Funeral Parlour, thereby achieving synergies in operations. With its strategic location and large site area, Lian Hua Tang can provide high quality one-stop funeral services for the residents in the densely-populated Nanan District, Jiangbei District and Yuzhong District within Chongqing, China's largest city. Lian Hua Tang, together with Rongchang county funeral parlour, has further strengthened the Group's market penetration in Chongqing.

In January 2011, the Group's office in Hung Hom, Hong Kong (the "Hung Hom Office"), was officially opened and went into operation to promote its new products, "Complete Lifetime Service Deed" as well as other funeral services. The sales department in the Hung Hom Office enables customers to have more direct and in-depth understanding of the nature of the "Complete Lifetime Service Deed", and has enhanced market confidence in the concept and business, which is of material importance in the sale of "Complete Lifetime Service Deed". Although the office has only opened for nine months, it has secured tremendous trust and confidence in its business from its customers.

The Group has also been granted a license by the Director of Food and Environmental Hygiene to carry on the business of an undertaker of burials in compliance with the Undertakers of Burials Regulation, Chapter 132CB of the Laws of Hong Kong on 25 February 2011.

The Group participated in the Hong Kong Senior Fair which was held from 20 to 22 May 2011. The Fair covered all ranges of services and products targeting senior citizens. As a leading funeral services provider in Greater China, apart from providing more information on the new service fusing the "Complete Lifetime Service Deed", the Group also shared with the participants the operating philosophy of the Group with an aim to further strengthen the Group's brand awareness and visibility in Hong Kong.

## Financial review

For the nine months ended 30 September 2011, the Group's turnover was approximately RMB57.7 million, representing an increase of 13.4% from approximately RMB50.9 million for the corresponding period of last year. The rise was mainly attributed to the expansion of operation in the PRC which resulted in the increase in the turnover of the PRC business by approximately 6.5% and the newly acquired trading of raw marble business for the nine months ended 30 September 2011.

Cost of sales for the nine months ended 30 September 2011 was approximately RMB23.1 million, rising by approximately 79.1% compared with the corresponding period in 2010. 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 and the cost from the trading of raw marble business.

The other revenue and other net loss for the nine months ended 30 September 2011 was approximately loss of RMB3.8 million compared with a gain of approximately RMB8.9 million for the corresponding period in 2010. The loss was mainly due to a net unrealised loss on financial assets designated as at fair value through profit and loss.

Selling expenses for the nine months ended 30 September 2011 rose by approximately 9.9% to approximately RMB16.3 million as compared with the corresponding period in 2010. 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 parlours and funeral service centres management business in the PRC.

Administrative expenses rose by approximately 42.8% to approximately RMB29.7 million for the nine months ended 30 September 2011 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 of business; (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 loss attributable to the shareholders for the nine months ended 30 September 2011 was approximately RMB17.1 million compared with profit of RMB6.8 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 30 September 2011. As at 30 September 2011, the Group had no other material capital commitments, material contracts or significant investment plans, expect those disclosed in the listing document. 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 30 September 2011, 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 30 September 2011, 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 (Chapter 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*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Liu Tien-Tsai	Personal	307,612,000	41.43%

### 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 30 September 2011, 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*

<b>Name of Shareholders</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Yang YongSheng (note 1)	Personal	36,632,000	4.93%
	Family interest	5,152,000	0.69%
Yu WenPing (note 1)	Personal	5,152,000	0.69%
	Family interest	36,632,000	4.93%

Note:

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 30 September 2011, 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

Pursuant to the written resolutions of the shareholders of the Company dated 24 August 2009, a share option scheme ("Share Option Scheme") was approved and adopted. Details of the share options granted and remaining outstanding as at 30 September 2011 are as follows:

	Date of grant	Exercise price	Exercisable period	Option held at 1 January and 30 September 2011
Directors of the Company or its subsidiaries (Note)	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	1,600,000
Continuous contract employees	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	10,936,000
Consultants	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	40,300,000
				<hr/> 52,836,000 <hr/>

Note: Share options to subscribe for 1,600,000 shares was granted to Mr. Mak King Sau ("Mr. Mak") on 11 February 2010. On 10 August 2010, Mr. Mak was appointed as the director of Sino-Life Eternities Limited and Sino-Life Eternities Services Limited, the subsidiaries of the Company.

These options will expire ten years from the date of grant. As at 30 September 2011, (i) 3,084,000 of 52,836,000 options are exercisable in the same year of the date of grant, with 50% of such options exercisable at six months, and the remaining 50% of such options exercisable at the end of the year, from the date of grant, and (ii) 49,752,000 of 52,836,000 options are exercisable over five years from the date of grant, with 20% of such options exercisable at six months from the date of grant and the remaining 80% of such options divided into four equal batches, with each batch exercisable on the first calendar date of each of the following four years from the date of grant.

Save as disclosed above, as at 30 September 2011, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates have been granted share options under the Share Option Scheme.

## 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 30 September 2011.

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 nine months ended 30 September 2011, 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

A.2 The Chairman and Chief Executive Officer of the Company were performed by the same individual.

### Reason for deviations

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 nine months ended 30 September 2011.

## 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 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 nine months ended 30 September 2011 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, 9 November 2011

*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.*