



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**

Half Yearly Report 2012



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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: the information contained in this report and report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report or report misleading.

Highlights

- The Group recorded a turnover of approximately RMB32.0 million for the six months ended 30 June 2012 (2011: approximately RMB36.2 million).
- Loss attributable to shareholders for the six months ended 30 June 2012 amounted to approximately RMB10.2 million (2011: approximately RMB6.4 million).
- No interim dividend is recommended for the period (2011: RMB Nil).

Half Yearly Results (Unaudited)

The board of Directors (the "Board") is here to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2012 together with the comparative unaudited consolidated figures for the corresponding period in 2011. The interim financial statements have not been audited, but have been reviewed and agreed by the audit committee of the Company.

Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Turnover	3(a)	14,905	20,485	32,025	36,231
Cost of sales		(3,785)	(8,376)	(8,043)	(12,465)
Gross profit		11,120	12,109	23,982	23,766
Other revenue and other net gain/(loss)	4	(112)	1,656	1,481	1,974
Selling expenses		(6,149)	(5,065)	(13,486)	(10,729)
Administrative expenses		(10,781)	(9,298)	(21,098)	(19,690)
Other operating expenses		(16)	–	(261)	(160)
Loss from operations		(5,938)	(598)	(9,382)	(4,839)
Finance costs	5(a)	(66)	(115)	(116)	(165)
Loss before taxation	5	(6,004)	(713)	(9,498)	(5,004)
Income tax	6	(314)	(147)	(711)	(464)
Loss for the period		(6,318)	(860)	(10,209)	(5,468)
Other comprehensive income/(loss) for the period (after tax and reclassification adjustments)					
Surplus on revaluation of land and buildings held for own use		739	296	739	217
Exchange differences arising on translation					
– Exchange gain/(loss) arising during the period		1,484	(2,685)	1,934	(4,732)
– Reclassification adjustments relating to non-PRC operations disposed of during the period		(76)	–	(76)	–
		1,408	(2,685)	1,858	(4,732)
Other comprehensive income/(loss) for the period		2,147	(2,389)	2,597	(4,515)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(4,171)	(3,249)	(7,612)	(9,983)
(Loss)/profit attributable to:					
Owners of the Company		(6,301)	(1,835)	(10,226)	(6,378)
Non-controlling interests		(17)	975	17	910
		(6,318)	(860)	(10,209)	(5,468)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(4,180)	(4,173)	(7,602)	(10,856)
Non-controlling interests		9	924	(10)	873
		(4,171)	(3,249)	(7,612)	(9,983)
Loss per share					
Basic and diluted	7	RMB(0.85) cents	RMB(0.25) cents	RMB(1.38) cents	RMB(0.86) cents

Consolidated Statement of Financial Position

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		43,834	43,544
Intangible assets		2	2
Deposits for acquisition of property		6,231	6,231
Deposits for hire of funeral parlours and funeral services centres	10	4,750	7,250
		54,817	57,027
CURRENT ASSETS			
Inventories		475	9,072
Trade and other receivables	10	68,573	72,528
Financial assets designated as at fair value through profit or loss	9	41,062	38,971
Tax recoverable		402	393
Cash and cash equivalents		191,897	194,171
		302,409	315,135
CURRENT LIABILITIES			
Trade and other payables	11	6,115	14,854
Receipts in advance	12	107,848	108,410
Current portion of bank borrowings	13	614	594
Current portion of other loans	13	204	194
Current portion of obligation under finance lease	13	5	9
Current taxation		1,249	1,146
		(116,035)	(125,207)
NET CURRENT ASSETS		186,374	189,928
TOTAL ASSETS LESS CURRENT LIABILITIES		241,191	246,955
NON-CURRENT LIABILITIES			
Bank borrowings	13	9,663	9,750
Other loans	13	218	313
		(9,881)	(10,063)
NET ASSETS		231,310	236,892
EQUITY			
Equity attributable to owners of the Company			
Share capital		69,218	69,218
Reserves		157,764	164,621
		226,982	233,839
Non-controlling interests		4,328	3,053
TOTAL EQUITY		231,310	236,892

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Statutory surplus reserve RMB'000	Properties revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011 (audited)	69,218	220,633	(16,261)	225	1,550	1,756	(1,230)	4,204	(6,507)	273,588	(214)	273,374
Comprehensive loss												
Loss for the period	-	-	-	-	-	-	-	-	(6,378)	(6,378)	910	(5,468)
Other comprehensive loss												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	217	-	-	-	217	-	217
Exchange differences arising on translation	-	-	-	-	-	-	(4,695)	-	-	(4,695)	(37)	(4,732)
Total other comprehensive loss	-	-	-	-	-	217	(4,695)	-	-	(4,478)	(37)	(4,515)
Total comprehensive loss for the period	-	-	-	-	-	217	(4,695)	-	(6,378)	(10,856)	873	(9,983)
Transactions with owners												
Equity-settled share-based transactions	-	-	-	-	-	-	-	1,117	-	1,117	-	1,117
Non-controlling interests arising on the acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	2,950	2,950
Total transactions with owners	-	-	-	-	-	-	-	1,117	-	1,117	2,950	4,067
At 30 June 2011 (unaudited)	69,218	220,633	(16,261)	225	1,550	1,973	(5,925)	5,321	(12,885)	263,849	3,609	267,458
At 1 January 2012 (audited)	69,218	220,633	(16,261)	225	1,550	487	(11,775)	6,339	(36,577)	233,839	3,053	236,892
Comprehensive loss												
Loss for the period	-	-	-	-	-	-	-	-	(10,226)	(10,226)	17	(10,209)
Other comprehensive income												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	739	-	-	-	739	-	739
Exchange differences arising on translation	-	-	-	-	-	-	1,885	-	-	1,885	(27)	1,858
Total other comprehensive income	-	-	-	-	-	739	1,885	-	-	2,624	(27)	2,597
Total comprehensive loss for the period	-	-	-	-	-	739	1,885	-	(10,226)	(7,602)	(10)	(7,612)
Transactions with owners												
Equity-settled share-based transactions	-	-	-	-	-	-	-	745	-	745	-	745
Lapse of share options granted	-	-	-	-	-	-	-	(52)	52	-	-	-
Capital contribution received by a non-wholly owned subsidiary from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,288	1,288
Decrease in non-controlling interests arising on acquisition of interests in a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Total transactions with owners	-	-	-	-	-	-	-	693	52	745	1,285	2,030
At 30 June 2012 (unaudited)	69,218	220,633	(16,261)	225	1,550	1,226	(9,890)	7,032	(46,751)	226,982	4,328	231,310

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Cash used in operations	(3,265)	(6,760)
Income taxes paid		
Taiwan	–	(6)
The People's Republic of China ("PRC")	(608)	(2,081)
Net cash used in operating activities	(3,873)	(8,847)
Net cash used in investing activities	(2,293)	(2,974)
Net cash generated from/(used in) financing activities	765	(2,202)
Net decrease in cash and cash equivalents	(5,401)	(14,023)
Cash and cash equivalents at 1 January	194,171	242,713
Effect of foreign exchange rates changes	3,127	(3,057)
Cash and cash equivalents at 30 June	191,897	225,633
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand	191,897	225,633

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

1. GENERAL

Sino-Life Group Limited (the "Company") was incorporated on 24 February 2005 in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 September 2009.

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is mainly engaged in the provision of funeral services and trading of raw marble in Taiwan, Hong Kong and the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and with Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements for the year ended 31 December 2011. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

Preparing the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. The functional currency of the Company is United States dollars ("US\$"). The functional currency of its subsidiaries are Renminbi ("RMB"), New Taiwan dollars ("NTD") and Hong Kong dollars ("HK\$") respectively. The unaudited condensed consolidated financial statements are presented in RMB, rounded to the nearest thousand, except when otherwise indicated, which is different from the functional currency of the Company as majority of the Group's transactions are denominated in RMB.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- freehold land and buildings; and
- financial assets designated as at fair value through profit or loss.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards and interpretation ("new and revised HKFRSs") issued by the HKICPA.

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

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

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

Turnover represents the net amounts received and receivable for the services rendered to customers and goods sold to customers. The amount of each significant category of revenue recognised in turnover for the period is as follows:

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Funeral services provided in funeral parlours and funeral service centres under the Group's management	20,934	17,244
Cremation services	7,385	6,427
Funeral arrangement services	2,472	3,874
Cemetery services	1,223	1,476
Trading of raw marble	11	7,210
	32,025	36,231

(b) Segment information

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Company's executive directors (the "Executive Directors"), being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Funeral services – Taiwan

- Provision of funeral arrangement services to both funeral services deed holders and non-funeral services deed holders.

(ii) Funeral services – Hong Kong

- Provision of funeral arrangement services to both funeral services deed holders and non-funeral services deed holders.

(iii) Funeral services – the PRC

- Provision of funeral, cremation and cemetery services in funeral parlours and funeral service centres under the Group's management, pursuant to respective management agreements entered into with the owners of funeral parlours and funeral service centres.

(iv) Trading of raw marble

- Trading of raw marble in Taiwan and the PRC.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Executive Directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment results represent the profit/(loss) earned/(suffered) by each segment without allocation of other revenue and other net gain/(loss), central administration costs, finance costs and income tax. This is the measure reported to the Executive Directors for the purposes of resources allocation and assessment of segment performance.

Information regarding the Group's reportable segments as provided to the Executive Directors for the purposes of resource allocation and assessment of segment performance for the period ended 30 June 2012 and 2011 is set out below:

	Six months ended 30 June 2012 (Unaudited)				Total
	Taiwan	Funeral services	PRC	Trading of	
	RMB'000	Hong Kong	RMB'000	raw marble	RMB'000
		RMB'000	RMB'000	RMB'000	
Reportable segment revenue					
Revenue from external customers	1,770	702	29,542	11	32,025
Reportable segment loss	(1,465)	(1,132)	(803)	(682)	(4,082)

	Six months ended 30 June 2011 (Unaudited)				Total
	Taiwan	Funeral services	PRC	Trading of	
	RMB'000	Hong Kong	RMB'000	raw marble	RMB'000
		RMB'000	RMB'000	RMB'000	
Reportable segment revenue					
Revenue from external customers	3,789	85	25,147	7,210	36,231
Reportable segment profit/(loss)	612	(2,333)	(1,719)	2,331	(1,109)

There are no inter-segment sales for the six months ended 30 June 2012 and 2011.

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 June 2012 and 31 December 2011:

	At 30 June 2012 (Unaudited)				Total
	Taiwan	Funeral services	PRC	Trading of	
	RMB'000	Hong Kong	RMB'000	raw marble	RMB'000
		RMB'000	RMB'000	RMB'000	
Reportable segment assets	200,031	1,235	56,769	4,850	262,885
Reportable segment liabilities	119,232	408	5,190	177	125,007

	At 31 December 2011 (Audited)				Total
	Taiwan	Funeral services	PRC	Trading of	
	RMB'000	Hong Kong	RMB'000	raw marble	RMB'000
		RMB'000	RMB'000	RMB'000	
Reportable segment assets	192,568	1,087	59,916	15,204	268,775
Reportable segment liabilities	119,945	183	5,839	7,758	133,725

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Revenue		
Total reportable segment revenue and consolidated turnover	32,025	36,231
Profit or loss		
Reportable segment loss derived from Group's external customers	(4,082)	(1,109)
Other revenue and other net gain	1,481	1,974
Depreciation and amortisation	(108)	(11)
Finance costs	(116)	(165)
Unallocated head office and corporate expenses	(6,673)	(5,693)
Consolidated loss before taxation	(9,498)	(5,004)
Assets		
At 30 June 2012 At 31 December 2011		
RMB'000 RMB'000		
(Unaudited) (Audited)		
Total reportable segment assets	262,885	268,775
Unallocated head office and corporate assets		
– Cash and cash equivalents	89,053	98,916
– Others	5,288	4,471
Consolidated total assets	357,226	372,162
Liabilities		
Total reportable segment liabilities	125,007	133,725
Unallocated head office and corporate liabilities	909	1,545
Consolidated total liabilities	125,916	135,270

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets as specified below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, intangible assets, deposit for acquisition of property and deposits for hire of funeral parlours and funeral services centres. The geographical locations of property, plant and equipment, deposit for acquisition of property and deposits for hire of funeral parlours and funeral services centres are based on the physical location of the assets under consideration. In the case of intangible assets, it is based on the location of the operation to which these intangible assets are allocated.

	Revenues from external customers		Non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The PRC (place of domicile)	29,553	25,274	24,922	28,792
Taiwan	1,770	10,872	28,232	26,984
Hong Kong	702	85	1,305	1,251
Others	–	–	358	–
	2,472	10,957	29,895	28,235
	32,025	36,231	54,817	57,027

Revenue from major products and services

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Funeral services provided in funeral parlours and funeral service centres under the Group's management	20,934	17,244
Cremation services	7,385	6,427
Funeral arrangement services	2,472	3,874
Cemetery services	1,223	1,476
Trading of raw marble	11	7,210
	32,025	36,231

Information about major customers

For the six months ended 30 June 2012 and 2011, revenue from any single external customer does not amount to 10% or more of the Group's revenue.

4. OTHER REVENUE AND OTHER NET GAIN/(LOSS)

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Other revenue		
Interest income on bank deposits	164	58
Interest income on coupon bonds	10	540
Total interest income on financial assets not at fair value through profit or loss	174	598
Sundry income	85	106
	259	704
Other net gain/(loss)		
Gain on disposal of subsidiaries	734	–
Loss on disposal of property, plant and equipment	(67)	–
Surplus on revaluation of land and buildings held for own use	–	127
Net exchange gain	52	48
Net gain on terminated and lapsed funeral services deeds	278	56
Net realised gain on trading securities	–	1,233
Net realised and unrealised gain/(loss) on financial assets designated as at fair value through profit or loss	225	(194)
	1,222	1,270
	1,481	1,974

5. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging the followings:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interests on bank borrowings and other loans		
– wholly repayable within 5 years	16	65
– not wholly repayable within 5 years	99	99
Finance charges on obligation under finance lease	1	1
Total interest expenses on financial liabilities not at fair value through profit or loss	116	165
(b) Staff costs (including directors' remunerations)		
Salaries, wages and other benefits	9,416	8,897
Equity-settled share-based payment expenses	364	303
Contributions to defined contribution retirement plans	903	803
	10,683	10,003
(c) Other items		
Amortisation of intangible assets	–	1
Auditors' remuneration		
– other services	–	176
Cost of inventories	4,701	9,079
Depreciation		
– assets held for own use under finance lease	2	1
– other assets	2,383	1,042
Operating lease charges: minimum lease payments		
– rented premises	672	486
– hire of plant and equipment	174	183
– hire of funeral parlours and funeral service centres	7,376	6,704
Equity-settled share-based payment expenses	381	814

6. INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Provision of current tax for the period		
– PRC Enterprise Income Tax (note (c))	711	426
– Taiwan Enterprise Income Tax (note (d))	–	38
	711	464

Notes:

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2012 (2011: 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 six months ended 30 June 2012 (2011: RMB Nil).
- (c) The subsidiaries operating in the PRC are subject to enterprise income tax rate at 25% (2011: 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% (2011: 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 six months ended 30 June 2012 (2011: RMB Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share for the three months and six months ended 30 June 2012 are based on the unaudited loss attributable to owners of the Company of RMB6,301,000 (2011: RMB1,835,000) and loss of RMB10,226,000 (2011: RMB6,378,000) respectively and the weighted average number of 742,500,000 ordinary shares (2011: 742,500,000 ordinary shares) and 742,500,000 ordinary shares (2011: 742,500,000 ordinary shares) in issue during the periods.

Diluted loss per share is same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during the periods.

8. DIVIDENDS

The directors do not recommend payment of interim dividend for the six months ended 30 June 2012 (2011: RMB Nil).

9. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Mutual funds/unit trusts at fair value Established outside Hong Kong	41,062	38,971

The trust monies have been invested, in mutual funds and unit trusts in Taiwan, by those financial institutions in Taiwan at the discretion of the Group. The mutual funds and unit trusts comprise a basket of financial assets including local and foreign currencies bank deposits, bonds and equity securities listed in Taiwan and other foreign stock markets.

According to the Mortuary Service Administration Act (殯葬管理條例) in Taiwan, which was first promulgated on 17 July 2002 and further amended on 1 July 2003 and 4 July 2007, the Group has to deposit 75% of the gross receipt of each funeral services deed entered into after 31 July 2003 in financial institutions in Taiwan as trust monies.

Financial assets designated as at FVTPL are presented within "operating activities" as part of changes in working capital in the condensed consolidated statement of cash flows. The Group has obtained an investment gain of approximately RMB225,000 for the six months ended 30 June 2012 (2011: loss of approximately RMB194,000). Changes in fair values of the above financial assets are recorded in "other revenue and other net gain/(loss)" in the consolidated statement of comprehensive income.

The financial assets above offer the Group the opportunity for return through fair value gain. They have no fixed maturity and coupon rate.

The fair value of the above financial assets is based on their current bid prices in an active market.

10. TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	35	3,682
Less: allowance for impairment loss	–	–
	35	3,682
Bills receivable	–	1,500
Other receivables	18,295	11,559
Less: allowance for impairment loss	(170)	(170)
	18,125	11,389
Loans and receivables	18,160	16,571
Deposits and prepayments	55,163	63,207
	73,323	79,778
Representing:		
Current	68,573	72,528
Non-current	4,750	7,250
	73,323	79,778

Notes:

Trade receivables are net of allowance for impairment loss of RMBNil (2011: RMBNil) with the following analysis by age presented based on the date of sales of goods or service rendered as at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 to 180 days	35	2,667
181 days to 365 days	–	–
Over 1 year	–	1,015
	35	3,682

The average credit period on sales granted to customers of funeral services segment is 45 days.

The average credit period on sales granted to customers of trading of raw marble segment is 180 days.

11. TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade payables	1,447	8,189
Accruals and other payables	4,668	6,665
Financial liabilities measured at amortised cost	6,115	14,854

The following is an ageing analysis of trade payables, based on the date of receipt of goods or services rendered, at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 to 30 days	533	2,903
31 days to 90 days	274	1,814
Over 90 days	640	3,472
	1,447	8,189

The average credit period of purchases is 30 days to 180 days.

12. RECEIPTS IN ADVANCE

Bau Shan and Sino-Life (Hong Kong) Limited, subsidiaries of the Company, sold funeral services deeds to customers ("Deed Holders"). The funeral services deeds are prepaid funeral services packages which mainly comprise particular types of funeral services to be arranged. The Deed Holders can elect to make payment on a lump sum basis or settle the outstanding amount of the funeral services deeds by up to a maximum of 48 monthly instalments. The Group determines the pricing of the funeral services deeds by adding a margin to the estimated cost of delivering funerals, after having taken into account of major factors including instruction of the Deed Holders. Amounts received from funeral services deeds sold are recorded as receipts in advance. When the Deed Holders have defaulted payment for two months and do not pay back the defaulted amounts after the Group's not less than 30-days' demand notice, the funeral services deeds would be regarded as lapsed and a minimum of 20% of the total sum of the funeral services deeds or the instalments paid, whichever is lower, will be forfeited as income. The Deed Holders can request for funeral services or terminate the funeral services deeds at any time after the funeral services deeds are sold. Accordingly, receipts in advance is classified as current liabilities in the consolidated statement of financial position.

According to the Mortuary Service Administration Act (殯葬管理條例) in Taiwan, which was first promulgated on 17 July 2002 and further amended on 1 July 2003 and 4 July 2007, the Group has to deposit 75% of the gross receipt of each funeral services deed entered into after 31 July 2003 in financial institutions in Taiwan as trust monies (see note 9).

If the Deed Holders terminate the funeral services deeds or the funeral services deeds are lapsed, a minimum of 20% of the total sum of the funeral services deeds or the instalments paid, whichever is lower, will be forfeited as income.

13. BANK BORROWINGS, OTHER LOANS AND OBLIGATION UNDER FINANCE LEASE

	Bank borrowings, secured RMB'000	Other loans, secured RMB'000	Obligation under finance lease RMB'000
Balance at 1 January 2012			
– current	594	194	9
– non-current	9,750	313	–
	10,344	507	9
Repayments	(303)	(97)	(4)
Effect of foreign currency exchange differences	236	12	–
Balance at 30 June 2012	10,277	422	5
Representing:			
Current	614	204	5
Non-current	9,663	218	–
	10,277	422	5

14. DISPOSAL OF SUBSIDIARIES

Disposal of 100% equity interests in Full Famous Development Limited ("Full Famous")

On 31 March 2012, Jing Run Limited, a non-wholly owned subsidiary of the Company, disposed its 100% equity interests in Full Famous to an independent third party, Forever Famous Holdings Limited, at a consideration of US\$645,000 (equivalent to approximately RMB4,061,000). Full Famous and its wholly owned subsidiary, Chongqing Full Famous Stone Material Co., Ltd. ("Chongqing Full Famous"), were mainly engaged in the trading of raw marble used for the construction of building and gravestone.

The net assets of Full Famous and Chongqing Full Famous at the date of disposal were as follows:

Consideration receivable

	Six months ended 30 June 2012 RMB'000 (Unaudited)
Total consideration receivable	4,061

Analysis of asset and liabilities over which control was lost

	At 31 March 2012 RMB'000 (Unaudited)
Non-current assets	
Property, plant and equipment	952
	952
Current assets	
Inventories	8,494
Other receivables	228
Cash and cash equivalents	142
	8,864
Current liabilities	
Trade and other payables	(6,413)
	(6,413)
Net assets disposed of	3,403

Gain on disposal of subsidiaries

	Six months ended 30 June 2012 RMB'000 (Unaudited)
Consideration receivable	4,061
Net assets disposed of	(3,403)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on lost of control of subsidiaries	76
Gain on disposal	734

The gain on disposal of subsidiaries is included in the other revenue and other net gain/(loss) in the consolidated statement of comprehensive income.

Net cash outflow on disposal of subsidiaries

**Six months
ended
30 June 2012
RMB'000
(Unaudited)**

Cash and cash equivalents disposed of	(142)
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15. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Salaries and other short-term employee benefits	1,744	1,057
Post-employment benefits	5	–
Equity compensation benefits	97	–
	1,846	1,057

Total remuneration is included in "Staff costs" (see note 5(b)).

(b) There are no material transactions with other related parties during the six months ended 30 June 2012 (2011: Nil).

16. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2012 not provided for in the financial statements are as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Capital expenditure contracted but not provided for:		
– Acquisition of property, plant and equipment	563	551
– Investment in a joint venture	6,500	6,500
	7,063	7,051

Management Discussion and Analysis

Business review

Funeral business in the PRC continues to be the driving force of the Group's operations. The Group's turnover derived from funeral business in the PRC market for the six months ended 30 June 2012 was approximately RMB29.5 million, representing an increase of about 17.5% to the corresponding period last year and accounted for about 92.2% of the Group's turnover.

Pursuant to a rescission agreement signed on 15 June 2012, the Group's involvement in the management of the operations of An Fu Tang Funeral Service Centre (安福堂治喪中心) was terminated with effect from 31 May 2012. It is expected that the cessation of management of the operations in respect of the loss-making operating unit will enable the Group to allocate its financial and operational resources with improved efficiency to other profitable operating units within the Group.

The Group's funeral business in the Hong Kong market showed promising and sustainable signs of growth with an approximate turnover of RMB0.7 million for the six months ended 30 June 2012 representing a substantial increase of about 725.9% to the corresponding period last year and accounted for approximately 2.2% of the Group's turnover.

In the period, the Group offered a professional training course for potential entrants to the funeral business to the general public, consequently increasing the spectrum of services provided in Hong Kong. Concurrently the Group participated in the Hong Kong Senior Fair, which was held from 11 to 13 May 2012. The Fair provided an opportunity for the Group to promote its services to its direct target market and allowed the Group to further strengthen its presence in Hong Kong.

The Group's turnover derived from funeral business in the Taiwan market for the six months ended 30 June 2012 was approximately RMB1.8 million, representing a decrease of approximately 53.3% to the corresponding period last year and accounted for approximately 5.5% of the Group's turnover.

In Taiwan, the Group is principally engaged in the sale of funeral service deeds, which was accounted for by the Group as receipt in advance, and the provision of funeral arrangement services to funeral service Deed Holders and other consumers which are accounted for by the Group as revenue. In light of this decreasing scope of business in Taiwan, the Group will consider directing resources to other markets with higher revenue growth potentials.

The Group's turnover derived from raw marble wholesale business market for the six months ended 30 June 2012 was approximately RMB0.01 million, representing a notable decrease of 99.8% to the corresponding period last year and accounted for an insignificant amount of the Group's turnover.

It is anticipated that the global economic environment will continue to have an adverse effect on the raw marble wholesale business of the Group. In anticipation of the circumstances surrounding the raw marble wholesale business, the Group will exercise diligent discretion and seek applicable recourse in operating this business unit in the forthcoming period.

PROSPECTS

Prospectively, the Group aims to leverage on its extensive experience in the funeral services industry combined with the professionalism of its staff to achieve sustainable growth amidst a difficult global economic environment.

The future focus of the Group will be to develop and manage current operating sites prudently as well as to apply resources to effective use by exploring new markets with vivid potential. The Group proactively seeks investment opportunities and projects to add to the success of the Group. The Group anticipates its presence in emerging markets with vast potential will be realized in the near future.

As an innovator in the traditional market of funeral services, the Group will continue to develop and source specialized funeral products and services for consumers and industries in the regions which the Group has a presence in. Through continuous innovation the Group aims to gain a competitive advantage amongst industry participants to enhance the revenue and profit potential of the Group.

The Group is actively seeking opportunities to expand its reach into the funeral service industry with particular concentration to be focused on the development of cemetery businesses. The Group has a professional service and design team dedicated to the provision of consultancy services for cemeteries. It is anticipated that the cemetery business will provide a solid opportunity to further proliferate the revenue stream of the Group.

Financial Review

For the six months ended 30 June 2012, the overall turnover of the Group arising from principal activities was approximately RMB32.0 million representing a decrease of approximately 11.6% to the corresponding period of last year. The decrease in turnover is mainly attributed to the Group's business of raw marble wholesale and the diminishing of sales in the Taiwan market due to strengthened competition.

Cost of Sales for the six months ended 30 June 2012 was approximately RMB8.0 million, representing a decrease of approximately 35.5% from the corresponding period in 2011. The diminishing costs of sales was mainly attributed to the relatively lower activity of the raw marble wholesale business in the record period.

The other revenue and other net gain/(loss) for the six months ended 30 June 2012 was approximately RMB1.5 million compared with approximately RMB2.0 million for the corresponding period in 2011. The decrease is attributed to a significant fall in realized investment gains as investment transactions were infrequent in the record period and interest income derived from held investments were moderately lower.

Selling expenses for the six months ended 30 June 2012 rose by approximately 25.7% to approximately RMB13.5 million as compared with the corresponding period in 2011. The factors causing the inflated selling expense can be attributed to an increase of commission, rental and management costs in the record period in line with the general inflationary environment in which the Group operates.

Administrative expenses for the six months ended 30 June 2012 increased by approximately 7.2% to approximately RMB21.1 million as compared with the corresponding period in 2011. The increase in the administrative expenses is attributed to the increase in staff and incidental costs due to the expansion of the Group's businesses in new markets.

The loss attributed to the shareholder for the six months ended 30 June 2012 was approximately RMB10.2 million compared with the loss of approximately RMB6.4 million from the corresponding period of 2011. The further loss is attributed to the cumulative effect of the above mentioned factors.

Liquidity, financial resources and capital structure

The Group maintains a healthy and sound financial position. As at 30 June 2012, the Group had bank balances and cash of approximately RMB191.9 million (31 December 2011: approximately RMB194.2 million) and bank and other loans of approximately RMB10.7 million (31 December 2011: approximately RMB10.9 million). All bank and other loans were denominated in New Taiwan Dollars, at prevailing market interest. As at 30 June 2012, the Group had no other material capital commitments, material contracts or significant investment plans, except those disclosed in this report. 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 gearing ratio representing the ratio of total borrowing to the total assets of the Group was approximately 3.0% as at 30 June 2012 (31 December 2011: 2.9%).

Exposure to fluctuation in exchange rates

The Group's operations are geographically based in the PRC, Taiwan and Hong Kong. The revenue derived from Taiwan accounted for approximately 5.5% (2011: approximately 30.0%) and Hong Kong accounted for approximately 2.2% (2011: approximately 0.2%) of the total revenue for the six months ended 30 June 2012. The financial statements are presented in Renminbi, while a portion of the revenue and expenses are denominated in New Taiwan Dollar and Hong Kong Dollar. It is possible that the value of Renminbi may fluctuate in value against that of the New Taiwan Dollar and Hong Kong Dollar. The Group's operations results and financial condition may be affected by changes in the exchange rates of Renminbi against the New Taiwan Dollar and Hong Kong Dollar, in which the Group's revenue and expenses are denominated. As at 30 June 2012, the Group did not have any borrowings, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

Significant acquisitions and disposal of investments

Save as disclosed in "Business Review" section of this report, the Group did not have any significant acquisition and disposal of investment as at 30 June 2012.

Charge on group assets

The carrying amounts of property, plant and equipment pledged as security for the Group's bank borrowings and other loans were approximately RMB22.8 million (31 December 2011: approximately RMB21.8 million).

The number and remuneration of employees

As at 30 June 2012, the Group employed 347 employees (31 December 2011: 390 employees). The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

Contingent liabilities

As at 30 June 2012, 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 June 2012, 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	308,184,000	41.51%

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 June 2012, 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 (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 June 2012, 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. The major terms of the Share Option Scheme are summarised as follows:

- (a) The purpose of the Share Option Scheme is to enable the Company to grant options to participants as incentive or rewards for their contributions to the Group.
- (b) The participants include (i) any full-time or part-time employee of the Company and/or any of its subsidiaries including any executive directors and any non-executive directors (including independent non-executive directors); and (ii) any consultants, advisers, agents, partners or joint-venture partners of the Company and/or any of its subsidiaries.
- (c) The exercise price of a share option under the Share Option Scheme will not be less than the highest of (i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (ii) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (iii) the nominal value of a share on the offer date of the particular option.
- (d) The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the shares in issue immediately upon completion of the placing and the capitalisation issue ("General Scheme Limit").
- (e) Unless approved by the Company's shareholders, the total number of shares issued and to be issued upon exercise of the options granted to any one participant in any twelve-month period up to the date of grant of the Options must not exceed 1% of the shares in issue at the date of the grant of the options.
- (f) An offer shall be made to participants in writing and shall remain open for acceptance by the participants concerned for a period of 30 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the scheme. An offer shall be deemed to have been accepted by the participant concerned in respect of all shares which are offered to such participant when the duplicate letter comprising acceptance of the offer duly signed by the participant, together with HK\$10 by way of consideration for the grant thereof is received by the Company.
- (g) The options are exercisable starting half year from the grant date only. The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 10 years from the date of grant of the share option.
- (h) An option shall be exercisable in whole or in part in the circumstances by giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is so exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for shares in respect of which the notice is given.

Details of the share options granted and remaining outstanding as at 30 June 2012 are as follows:

Name/category of participants	Date of grant	Exercise price per share	Exercisable period	Number of share options				
				At 1 January 2012	Granted during the period	Reclassification	Lapsed	At 30 June 2012
Directors of the Company								
Mr. Kim Eun Back	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	2,000,000	-	-	2,000,000
Directors of subsidiaries								
Mr. Mak King Sau	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	1,600,000	-	(1,600,000)	-	-
	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	(1,000,000)	-
Ms. Pan Hsiu-Ying	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	-	1,000,000
Mr. Wang Shun Lang	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	-	1,000,000
Mr. Chung Yuan-Yuan	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	-	1,000,000
Ms. Chang Hui-Lan	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	-	1,000,000
Continuous contract employees								
	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	10,836,000	-	-	(412,000)	10,424,000
	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	9,920,000	-	(720,000)	9,200,000
Consultants								
	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	40,300,000	-	1,600,000	-	41,900,000
				52,736,000	16,920,000	-	(2,132,000)	67,524,000

Note: Share options to subscribe for 1,600,000 shares was granted to Mr. Mak King Sau ("Mr. Mak") on 11 February 2010. On 26 April 2012, Mr. Mak resigned as the director of Sino-Life Eternities Limited and Sino-Life Eternities Services Limited, the subsidiaries of the Company.

The options granted on 11 February 2010 expire ten years from the date of grant. As at 30 June 2012, 2,984,000 of 52,736,000 options were exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,752,000 of 52,736,000 options are exercisable over five years from the date of grant, with 20% each of the options granted exercisable at six months and first calendar date following four years from the date of grant.

The options granted on 16 January 2012 expire five years from the date of grant and will be exercisable after one year from the date of grant.

Save as disclosed above, as at 30 June 2012, 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.

Purchase, sale or redemption of securities

During the six months ended 30 June 2012, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

Corporate Governance

For six months ended 30 June 2012 up to the date hereof, the Company had complied with the code provisions (“Code Provisions”) set out in the Code of Corporate Governance Practices (taking effect before 1 April 2012) and the Corporate Governance Code (taking effect from 1 April 2012) as contained in Appendix 15 to the GEM Listing Rules, except for Code Provision A.2.1.

Code Provision A.2.1 provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of Chairman of the Board and Chief Executive Officer (“CEO”) of the Company are both currently carried on by Mr. Liu Tien-Tsai. The Board considers that the Group’s size is still relatively small and thus not justified in separating the role of Chairman and CEO. The Group has in place internal control system to perform the check and balance function. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

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.

Comparison of Business Objectives With Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group’s actual business progress for the period from 9 September 2009 (the “Listing Date”) to 30 June 2012 is set out below:

Business objectives for the period from the Listing Date to 30 June 2012 as stated in the Prospectus	Actual business progress up to 30 June 2012
1. Expand funeral services network in other major cities by entering into funeral-services agreement	<p>The Group has implemented two of the memoranda of understanding (the “MOU”) disclosed in the “Future Plan and Prospects” section of the Prospectus.</p> <p>The Group is in the process of negotiating the terms with the owners of remaining funeral parlours and new funeral service centres.</p> <p>The Group has also signed other two new subcontracting agreements during 2010.</p>

Business objectives for the period from the Listing Date to 30 June 2012 as stated in the Prospectus	Actual business progress up to 30 June 2012
2. Develop business in columbarium in Taiwan	As disclosed in the announcement by the Company on 5 January 2011, the register for the owner of the columbarium was changed. At present, the new owner is still negotiating with Bau Shan Life Science Technology Co., Ltd. (寶山生命科技股份有限公司) (“Bau Shan”), the direct subsidiary of the Company, as to the continuance of the agency agreement to sell cubicles and space for urn storage in the columbarium (the “Products”) in Miaoli County in Taiwan or the sale of the columbarium (and the Products) to Bau Shan.
3. Purchase of funeral service equipment and facilities	The Group is conducting the feasibility study on advanced equipment and facilities designated for funeral. On 24 November 2011, the Group entered into a shareholders agreement with a Japanese-invested enterprise for the plan of bringing funeral related products, services and technologies from Japan.
4. Refurbishment of new and existing service centres	The Group has started the decoration and improvement of funeral parlour and services centres.
5. Expansion of marketing network	The Group launched a new website for marketing proposes in May 2012. The Group has participated in the Hong Kong Senior Fair 2012 in May 2012.

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from the Listing Date to 30 June 2012, the net proceeds from issuance of new shares of the Company had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Listing Date to 30 June 2012	Actual use of proceeds from the date of listing to 30 June 2012
	RMB'000	RMB'000
Expand funeral services network in other major cities by entering into funeral-services agreement	12,960	11,448
Develop business in columbarium in Taiwan	11,560	–
Purchase of funeral service equipment and facilities	28,600	4,527
Refurbishment of new and existing service centres	21,266	14,333
Expansion of marketing network	1,450	1,474

The Group has to renegotiate several terms and conditions with the owners of the funeral parlours and new funeral service centres under the MOUs and the owner of columbarium in Taiwan.

Due to the above reasons and since certain expansion activities were postponed, the net proceeds applied during the period from the Listing Date to 30 June 2012 are less than expected. The Directors expect that most of the business objectives stated in the Prospectus for the period from the Listing Date to 30 June 2012 will be revisited in the second half of 2012.

All the remaining proceeds as at 30 June 2012 had been placed as interest bearing deposits in banks.

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 six month period ended 30 June 2012 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 August 2012

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.