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

Annual 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.

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: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and (ii) there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Tien-Tsai *(Chairman)*
Mr. Kim Eun Back
Mr. Ting Yung-Chieh (appointed on 30 September 2012)

Non-executive Directors
Mr. Niu Tse-Cheng (resigned on 30 September 2012)
Mr. Zheng Yimin (resigned on 30 September 2012)

Independent non-executive Directors
Mr. Chai Chung Wai
Mr. Ching Clement Yat-biu
Mr. Lam Ying Hung Andy
(resigned on 30 September 2012)
Mr. Luo Xuegang (resigned on 30 September 2012)
Mr. Lee Koon Hung (appointed on 30 September 2012)

COMPANY SECRETARY

Mr. Mok Yu Ting *CPA, FCCA*

AUTHORIZED REPRESENTATIVES

Mr. Liu Tien-Tsai
Mr. Mok Yu Ting *CPA, FCCA*

COMPLIANCE OFFICER

Mr. Liu Tien-Tsai

AUDIT COMMITTEE

Mr. Ching Clement Yat-biu *(Chairman)*
Mr. Luo Xuegang (resigned on 30 September 2012)
Mr. Lam Ying Hung Andy
(resigned on 30 September 2012)
Mr. Chai Chung Wai
Mr. Lee Koon Hung (appointed on 30 September 2012)

REMUNERATION COMMITTEE

Mr. Chai Chung Wai *(Chairman)*
Mr. Ching Clement Yat-biu
Mr. Luo Xuegang (resigned on 30 September 2012)
Mr. Lam Ying Hung Andy
(resigned on 30 September 2012)
Mr. Lee Koon Hung (appointed on 30 September 2012)

NOMINATION COMMITTEE

Mr. Lee Koon Hung *(Chairman)*
(appointed on 30 September 2012)
Mr. Luo Xuegang *(Chairman)*
(resigned on 30 September 2012)
Mr. Ching Clement Yat-biu
Mr. Chai Chung Wai
Mr. Lam Ying Hung Andy
(resigned on 30 September 2012)

AUDITOR

CCIF CPA Limited
Certified Public Accountants

SOLICITORS

P. C. Woo & Co.

PRINCIPAL BANKER

J.P. Morgan International Bank Limited
First Commercial Bank
The Hongkong and Shanghai Banking
Corporation Limited
Hua Nan Bank（華南商業銀行）
China Merchants Bank

REGISTERED OFFICE

Marquee Place, Suite 300
430 West Bay Road
P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands

PLACE OF BUSINESS

Shops 1-4, G/F, Lok Ka House,
240-242 Chatham Road North,
1A-1C Baker Street,
Kowloon, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110,
Cayman Islands

Hong Kong branch share registrar and transfer office
Tricor Investor Services Limited
26/F, Tesbury Centre,
28 Queen's Road East,
Hong Kong

STOCK CODE

8296

WEBSITE

www.sinolifegroup.com

Chairman's Statement

Review

On behalf of the board of directors (the "Board"), I hereby present the results of Sino-Life Group Limited ("Sino-Life" or the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2012 ("Year 2012").

During the past year, the Group continued to actively expand its regional coverage on the strength of its robust business platform, while strengthening its corporate image and brand impact in dedicating to provide more professional and excellent services. We have achieved exceptional results through our efforts across a number of areas.

During the year under review, the Group participated in the "5th China International Funeral Expo 2012" held in Wuhan City during 20 to 22 November 2012. Through this expo, the Group presented its high quality and professional services to industry counterparts in China, and thus laying a good foundation for the Group's future expansion into other service regions in China. This had significantly enhanced the opportunities in business co-operation with industry counterparts.

The Group is also committed to exploring the funeral business outside the Greater China region. On 6 December 2012, the Group entered into a share transfer contract to prepare for the acquisition of the 80% equity interest of a Vietnamese company in which it has acquired the land use right of a piece of land in Vietnam, and the expected total investment amounted to VND40,000,000,000 (equivalent to approximately RMB12,000,000).

The past year was a year full of challenges for the Group. For the 12 months ended 31 December 2012, the Group's turnover was RMB61.8 million (2011: RMB72.5 million), of which the PRC market accounted for 91.4%, the Taiwan market accounted for 5.7%, and the Hong Kong market accounted for 2.9%. Loss attributable to shareholders for Year 2012 amounted to RMB29.5 million (2011: RMB30.1 million). This was due to the one-off charges and marketing expenses that were needed for business expansion, part of the new operation bases was still unable to contribute any profit to the Group despite income was being generated, and also increase in costs.

Prospects

The PRC and Hong Kong will continue to be the Group's key development regions, and Vietnam will also become another region with huge development potential for the Group in the coming year. The management of the Group will continue to apply its professional and distinctive business model effectively in different regions, and simultaneously envisage other regions with huge potential and opportunities, thereby expanding our business coverage.

On the other hand, the Group entered into a management and construction technical support contract (the "Support Contract") on 4 January 2013, and the Group will be mainly responsible for supporting the overall planning and design of a cemetery park located in Beijing as well as the technical and financial support for the construction of cemetery and tombstone under the contract. The Group will actually share 63% of the profit therein.

Furthermore, on 12 January 2013, the Group entered into an agreement ("Cooperation Agreement") with an independent third party in relation to the cooperative service project at Beijing City Pinggu District Funeral Parlour (北京市平谷區殯儀館), and the Group will be mainly responsible for the market research and development and provision of technical staff and equipment required for its operation. The Group will be entitled to 70% of the pre-tax turnover to be generated from the Cooperation Agreement. The term of the Cooperation Agreement is 3 years. After the end of the Cooperation Agreement, the Group has the right to automatically extend the Cooperation Agreement for five years.

The new operation bases for Year 2012 and the beginning of 2013 are expected to start contributing to the Group's profits in 2013 after the investment period. Moreover, the Group will also enhance its efforts in cost control. By leveraging on the Group's strategic business development augmented by sufficient funding, the management is confident that it will bring long-term returns and substantial value to the shareholders.

On behalf of the Board, I would like to express my heartfelt gratitude to each and every bank and investor for their support and trust towards the Group. We would also like to take this opportunity to express our appreciation to the management and staff for their dedicated contributions to the Group during the past year.

Liu Tien-Tsai
Chairman
Hong Kong, 20 March 2013

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 year ended 31 December 2012 was approximately RMB56.5 million, representing an increase of about 8.5% to the corresponding period last year and accounted for about 91.4% of the Group's turnover.

During 20 to 22 November 2012, the Group participated in the "5th China International Funeral Expo 2012" held in Wuhan City. Through this expo, the Group presented its high quality and professional services to industry counterparts in China, and thus laying a good foundation for the Group's future expansion into other service regions in China. This had significantly enhanced the opportunities in business co-operation with industry counterparts.

The Group's funeral business in the Hong Kong market showed promising and sustainable signs of growth with an approximate turnover of RMB1.8 million for the year ended 31 December 2012 representing a substantial increase of about 726.6% to the corresponding period last year and accounted for approximately 2.9% of the Group's turnover.

The Group's turnover derived from funeral business in the Taiwan market for the year ended 31 December 2012 was approximately RMB3.5 million, representing a decrease of approximately 40.7% to the corresponding period last year and accounted for approximately 5.7% of the Group's turnover. 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 year ended 31 December 2012 was approximately RMB0.01 million, representing a notable decrease of 99.9% 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

Looking ahead, apart from the funeral business in the PRC, Taiwan and Hong Kong, the Group is also committed to exploring the funeral business outside the Greater China region. On 6 December 2012, the Group entered into a share transfer contract to prepare for the acquisition of the 80% equity interest of a Vietnamese company which has acquired the land use right of a piece of land in Vietnam, which is formally designated for use as cemetery in the categorization of land for different uses by the Vietnamese government and the expected total investment amounted to VND40,000,000,000 (equivalent to approximately RMB12,000,000).

On the other hand, the Group entered into a management and construction technical support contract (the "Support Contract") on 4 January 2013, and the Group will be mainly responsible for supporting the overall planning and design of a cemetery park located in Beijing as well as the technical and financial support for the construction of cemetery and tombstone under the contract. The Group will entitle to share 63% of the profit therein.

Furthermore, on 12 January 2013, the Group entered into an agreement ("Cooperation Agreement") with an independent third party in relation to the cooperative service project at Beijing City Pinggu District Funeral Parlour（北京市平谷區殯儀館）, and the Group will be mainly responsible for the market research and development and provision of technical staff and equipment required for its operation. The Group will be entitled to 70% of the pre-tax turnover to be generated from the Cooperation Agreement. The term of the Cooperation Agreement is 3 years. After the end of the Cooperation Agreement, the Group has the right to automatically extend the Cooperation Agreement for five years.

The PRC and Hong Kong will continue to be the Group's key development regions, and Vietnam will also become another region with huge development potential for the Group in the coming year. The management of the Group will continue to apply its professional and distinctive business model effectively in different regions, and simultaneously envisage other regions with huge potential and opportunities, thereby expanding our business coverage.

Financial review

Turnover

The turnover arising from principal activities for the year ended 31 December 2012 was approximately RMB61.8 million (2011: approximately RMB72.5 million), representing a decrease of approximately 14.8% as compared to 2011. 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. Regarding to the funeral services business provided in the PRC during the year, the turnover was approximately RMB56.5 million (2011: approximately RMB52.1 million), representing an increase of approximately 8.5% which accounted for 91.4% of the Group's turnover (2011: 71.9%). The turnover generated by the funeral services business provided in Taiwan was approximately RMB3.5 million (2011: approximately RMB5.9 million), or 5.7% of the Group's turnover, representing a decrease of approximately 40.7% due to strengthened competition in Taiwan. The turnover generated by the funeral services business provided in Hong Kong was approximately RMB1.8 million (2011: approximately RMB0.2 million), or 2.9% of the Group's turnover, representing an increase of approximately 726.6%.

The turnover from the funeral service provided in funeral parlour and funeral service centres under the Group's management increased by 9.5%, amounting to approximately RMB42.7 million (2011: approximately RMB39.0 million). The rise was mainly due to the increase in the number of funeral services provided from 2,601 for 2011 to 2,996 for 2012. However, the average spending per service provided slightly decrease to approximately RMB14,259 for 2012 (2011: approximately RMB14,987) which resulted from cessation of the management of the operation of An Fu Tang which average spending per service provided is higher than the overall average spending.

The turnover from the cremation services increased by 5.6%, amounting to approximately RMB11.3 million (2011: approximately RMB10.7 million). The increase was due to the increase in the average spending per service provided from approximately RMB1,261 for 2011 to approximately RMB1,381. However, there was slightly decrease in the number of cremation services provided from 8,454 for 2011 to 8,207 for 2012. Under the funeral parlour management agreement and funeral service centre management agreements, the Group is entitled to all income and responsible for all liabilities and all expenses incurred in the funeral parlour and funeral service centres under the Group's management.

The revenue generated from funeral arrangement services provided in Taiwan and Hong Kong was approximately RMB3.5 million and RMB1.8 million respectively (2011: approximately RMB5.9 million and RMB0.2 million), representing a decline of 40.7% and increase of 726.6% respectively over last year. The decline in Taiwan business was due to the intense competition in the Taiwan funeral service industry and the Directors believe that the market in Taiwan is saturated and room for growth is limited. Thus, the number of cases for the funeral arrangement services provided in Taiwan dropped in 2012 and resulted in the decrease in the total turnover here.

Gross Profit and Gross Profit Margin

Gross profit slightly increase by 1.5% to approximately RMB46.3 million (2011: approximately RMB45.6 million), and gross profit margin increased to approximately 74.9% (2011: approximately 62.9%). The gross profit margin of funeral services provided in funeral parlour and funeral service centres under the Group's management increased to approximately 77.6% (2011: approximately 74.8%) which was mainly due to the increase in the turnover from the funeral service provided which reduce the cost sharing of each funeral service. The gross profit margin of cremation services slightly decreased to approximately 83.4% (2011: approximately 85.9%) which was mainly due to the net effect of increase in average spending per service by 9.5% and increase in fuel cost for cremation and that of funeral arrangement services decreased to approximately 33.8% (2011: approximately 40.6%).

The Group's cost of sales primarily consists of costs directly attributable to the provision of its services, which mainly include (i) direct labour for the funeral services provided by individuals during the funeral ceremony held in a funeral parlour or a funeral service centre managed by the Group; (ii) subcontracting charges for services provided by the subcontractors in Taiwan; (iii) commission expenses from the recognition of commission paid to sales agents for funeral services deeds at the point when the services of the funeral services deeds are provided; and (iv) materials used for funeral ceremonies and cremation services such as fresh flowers, fuel for the cremation furnace and cost of the goods sold in the funeral parlour and funeral service centres under the Group's management in the PRC.

Selling and Administrative Expenses

Selling expenses decreased by approximately 6.0% to approximately RMB25.1 million (2011: approximately RMB26.7 million). The decrease was mainly attributable to net effect of the Group's decreased rental and management costs due to the cessation of the management of the operation of An Fu Tang and increase in agency costs resulting from the increase in the turnover from funeral services provided in funeral parlours and funeral service centres under the Group's management. The proportion of selling expenses to turnover was approximately 40.6% (2011: approximately 36.8%). Administrative expenses rose by approximately 2.3% to approximately RMB44.1 million (2011: approximately RMB43.1 million) as a result of the continuous expansion of the Group's PRC business which had increased the depreciation and amortisation resulting from the increase in investment in the property, plant and equipment in the PRC; and the preliminary expenses incurred for the expansion of new business location in the PRC and Vietnam. The proportion of administrative expenses to turnover was approximately 71.4% (2011: approximately 59.5%). Finance costs remained nearly the same of approximately RMB0.2 million (2011: approximately RMB0.3 million) because of the decline in bank interest rates. Income tax expense decreased by approximately 33.3% to approximately RMB1.2 million (2011: approximately RMB1.8 million).

Loss for the Year

In 2012, loss attributable to owners of the Company for the year was approximately RMB29.5 million (2011: approximately RMB30.1 million). The decrease in loss for the year ended 31 December 2012 was mainly due to the net effect of (i) increase in the gross profit; (ii) increase in other revenue and other net gain as there was an increase in value of financial assets designated as at fair value through profit or loss and (iii) increase in other operating expenses.

Liquidity, Financial Resources and Capital Structure

The Group maintains a stable financial position. As at 31 December 2012, the Group had bank balances and cash of approximately RMB177.6 million (2011: approximately RMB194.2 million) and bank and other loan and obligation under finance lease of approximately RMB20.5 million (2011: approximately RMB10.9 million). Approximately RMB10.1 million and RMB10.4 million of bank and other loan were denominated in United States Dollars and New Taiwan Dollars respectively, at prevailing market interest. During the year, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowing to the total assets of the Group was 5.9% as at 31 December 2012 (2011: 2.9%).

Exposure to Fluctuation in Exchange Rates

During the year, the Group's major operations were geographically based in the PRC, Taiwan and Hong Kong. The revenue derived from Taiwan and Hong Kong accounted for approximately 8.5% (2011: approximately 21.9%) of the total revenue. Its financial statements are presented in Renminbi, while a significant portion of the revenue and expenses are denominated in the United States Dollar, New Taiwan Dollar and Hong Kong Dollar. It is possible that the value of Renminbi may fluctuate in value against that of the United States Dollar, New Taiwan Dollar and Hong Kong Dollar. The Group's operating results and financial condition may be affected by changes in the exchange rates of Renminbi against the United States Dollar, New Taiwan Dollar and Hong Kong Dollar, in which the Group's revenue and expenses are denominated. As at 31 December 2012, the Group did not have any bank liabilities, 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. Further discussion on financial risk management objectives and policies is included in the "Financial Risk Management" section of note 32 to the consolidated financial statements.

Significant Acquisitions and Disposal of Investments

For the year ended 31 December 2012, the Group did not have any significant acquisition or disposal of investment.

The Number and Remuneration of Employees

As at 31 December 2012, the Group employed approximately 339 employees (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.

Charge on Group Assets

The carrying amounts of property, plant and equipment and bank deposits pledged as security for the Group's bank borrowings and other loans were approximately RMB21.3 million and RMB17.9 million respectively (2011: RMB20.1 million and RMBNil respectively).

Contingent Liabilities

As at 31 December 2012, the Group did not have any contingent liabilities (2011: Nil).

Capital Expenditure

For the year ended 31 December 2012, capital expenditure of the Group for property, plant and equipment amounted to approximately RMB14.2 million (2011: approximately RMB12.6 million).

Capital Commitments

As at 31 December 2012, the Group had capital expenditure contracted for but not provided for in the financial statements amounting to approximately RMB15.1 million (2011: approximately RMB7.1 million).

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 31 December 2012 is set out below:

	Business objectives for the period from the Listing Date to 31 December 2012 as stated in the Prospectus	Actual business progress up to 31 December 2012
1.	Expand funeral services network in other major cities by entering into funeral-services agreement	The Group has implemented two memoranda of understanding (the "MOU") disclosed in the "Future Plan and Prospects" section of the Prospectus. The Group is in the process of negotiating the terms with the owners of remaining funeral parlours and new funeral service centres. The Group has also signed two other new subcontracting agreements during 2010.
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 parlours and services centres under its managements.
5.	Expansion of marketing network	The Group has started the establishment of the website and organised and sponsored a forum and research on the funeral industry.

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 31 December 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 31 December 2012 RMB'000	Actual use of proceeds from the date of listing to 31 December 2012 RMB'000
Expand funeral services network in other major cities by entering into funeral-services agreement	12,960	12,960
Develop business in columbarium in Taiwan	11,560	–
Purchase of funeral service equipment and facilities	28,600	8,163
Refurbishment of new and existing service centres	21,266	15,325
Expansion of marketing network	1,450	1,450

The Group had 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 certain expansion activities were postponed, the net proceeds applied during the period from the Listing Date to 31 December 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 31 December 2012 will be revisited in the first half of 2013.

All the remaining proceeds as at 31 December 2012 have been placed as interest bearing deposits in banks.

Corporate Governance Practices

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 and Corporate Governance Report (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.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with such code of conduct from the date of listing of the Company's Shares on the Stock Exchange up to 31 December 2012.

Board of Directors

A) Board Composition

As at 31 December 2012, the Board comprises three executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Liu Tien-Tsai
Mr. Kim Eun Back
Mr. Ting Yung-Chieh (appointed on 30 September 2012)

Non-executive Directors

Mr. Niu Tse-Cheng (resigned on 30 September 2012)
Mr. Zheng Yimin (resigned on 30 September 2012)

Independent non-executive Directors

Mr. Ching Clement Yat-biu
Mr. Chai Chung Wai
Mr. Lam Ying Hung Andy (resigned on 30 September 2012)
Mr. Luo Xuegang (resigned on 30 September 2012)
Mr. Lee Koon Hung (appointed on 30 September 2012)

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The biographical details of the Directors and the relationship among the members of the Board are set out in the "Directors and Senior Management" on pages 20 to 22 of this annual report.

B) Role and Function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The Directors, collectively and individually, are aware of their responsibilities to the Shareholders, for the manner in which the affairs of the Group are managed and operated. As and when necessary, the Directors can access to the advice and services of the company secretary of the Company (the "Company Secretary"), and in the appropriate circumstances, seeking of independent professional advice at the Group's expense to ensure that the Board procedures, and all applicable rules and regulations are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board fully supports the senior management to discharge its duties and responsibilities in all circumstances. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company arising out of corporate activities of the Group has been arranged by the Company.

The Board normally should schedule four meetings a year at quarterly intervals and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. For the year ended 31 December 2012, the Board held seven meetings. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. The following table shows the attendance of individual Directors at the meetings held during the year:

Executive Directors	
Mr. Liu Tien-Tsai *(Chairman)*	7/7
Mr. Ting Yung-Chieh (appointed on 30 September 2012)	1/1
Mr. Kim Eun Back	7/7
Non-executive Director	
Mr. Niu Tse-Cheng (resigned on 30 September 2012)	5/6
Mr. Zheng Yimin (resigned on 30 September 2012)	3/6
Independent non-executive Directors	
Mr. Chai Chung Wai	6/7
Mr. Ching Clement Yat-biu	5/7
Mr. Lam Ying Hung Andy (resigned on 30 September 2012)	4/6
Mr. Luo Xuegang (resigned on 30 September 2012)	4/6
Mr. Lee Koon Hung (appointed on 30 September 2012)	1/1

There was one general meeting held on 2 May 2012 which was the annual general meeting of the Company. The following table shows the attendance of individual Directors at the general meeting held:

Executive Directors	
Mr. Liu Tien-Tsai *(Chairman)*	1/1
Mr. Ting Yung-Chieh (appointed on 30 September 2012)	0/0
Mr. Kim Eun Back	0/1
Non-executive Director	
Mr. Niu Tse-Cheng (resigned on 30 September 2012)	0/1
Mr. Zheng Yimin (resigned on 30 September 2012)	0/1
Independent non-executive Directors	
Mr. Chai Chung Wai	1/1
Mr. Ching Clement Yat-biu	0/1
Mr. Lam Ying Hung Andy (resigned on 30 September 2012)	0/1
Mr. Luo Xuegang (resigned on 30 September 2012)	0/1
Mr. Lee Koon Hung (appointed on 30 September 2012)	0/0

Chairman and Chief Executive Officer

Pursuant to the Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. Liu Tien-Tsai is appointed as the Chairman and Chief Executive Officer of the Company who is responsible for managing the Board and the Group's business. The Board considers that Mr. Liu has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently. Nevertheless, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the positions of Chairman and Chief Executive Officer of the Company is necessary.

Independent Non-executive Directors

During the year, the Board complies at all times with the requirement of the GEM Listing Rules relating to the appointment of at least 3 independent non-executive directors presenting at least one-third of the Board with at least one of them has appropriate professional qualifications of accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

Directors' Training

According to the Code Provision A.6.5, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

During the year and up to the date of this report, the Company had arranged to provide to all Directors with the "Guidelines for Directors" and the "Guide for Independent Non-executive Directors" issued by the Hong Kong Institute of Directors. Each of the Directors had noted and studied the above mentioned documents and that the Company had received from each of the Directors the confirmations on taking continuous professional training.

The Board has also established the following committees with defined terms of reference:–

- Audit Committee
- Remuneration Committee
- Nomination Committee

Each Board committee makes decisions on matters within its terms of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

A) Audit Committee

The Company has established an audit committee (the "Audit Committee") in August 2009 which consists of three independent non-executive Directors.

Composition and Meeting Record of the Audit Committee

For the year ended 31 December 2012, four meetings were held. The following table shows the attendance of individual Directors at the meetings held during the year:

Mr. Ching Clement Yat-biu *(Chairman)*	4/4
Mr. Chai Chung Wai	3/4
Mr. Lam Ying Hung Andy (resigned on 30 September 2012)	1/3
Mr. Luo Xuegang (resigned on 30 September 2012)	3/3
Mr. Lee Koon Hung (appointed on 30 September 2012)	1/1

During the year, the Audit Committee has reviewed the quarterly, half-yearly and annual reports before submission to the Board. The Audit Committee focused not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, half-yearly and annual reports.

Role and Function

The major responsibilities of the Audit Committee include, among others, the followings:

i. making recommendation to the Board on the appointment, reappointment and removal of external auditor;

ii. reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

iii. monitoring the integrity of the Company's financial statements, annual report and accounts, half-yearly report and, quarterly reports;

iv. liaising with the Board and the senior management and to meet with the auditors;

v. reviewing the Company's financial controls, internal control and risk management systems; and

vi. reviewing the financial and accounting policies and practices of the Group.

B) Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") in August 2009 which consists of three independent non-executive Directors.

Composition and Meeting Record of the Remuneration Committee

For the year ended 31 December 2012, one meeting was held. The following table shows the attendance of individual Directors at the meetings held during the year:

Mr. Chai Chung Wai *(Chairman)*	1/1
Mr. Ching Clement Yat-biu	1/1
Mr. Lam Ying Hung Andy (resigned on 30 September 2012)	1/1
Mr. Luo Xuegang (resigned on 30 September 2012)	1/1
Mr. Lee Koon Hung (appointed on 30 September 2012)	0/0

During the year, the Remuneration Committee has reviewed the remuneration package of the Board members and the senior management of the Company.

Role and Function

The major responsibilities of the Remuneration Committee include, among others, the followings:

i. making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;

ii. determining the specific remuneration packages of all executive directors and senior management;

iii. reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and

iv. reviewing and approving the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

C) Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") in August 2009 which consists of three independent non-executive Directors.

Composition and Meeting Record of the Nomination Committee

For the year ended 31 December 2012, one meeting was held. The following table shows the attendance of individual Directors at the meetings held during the year:

Mr. Lee Koon Hung *(Chairman)* (appointed on 30 September 2012)	0/0
Mr. Luo Xuegang *(Chairman)* (resigned on 30 September 2012)	1/1
Mr. Chai Chung Wai	1/1
Mr. Ching Clement Yat-biu	1/1
Mr. Lam Ying Hung Andy (resigned on 30 September 2012)	1/1

During the year, the Nomination Committee has reviewed the appointment of the Board members of the Company.

Role and Function

The major responsibilities of the Nomination Committee include, among others, the followings:

i. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;

ii. identifying individuals suitably qualified to become Board members and making recommendations to the Board on the selection of individuals nominated for directorships;

iii. assessing the independence of independent non-executive Directors; and

iv. making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

Appointment, Re-Election and Removal

Under Code Provision A.4.1, all the non-executive Directors should be appointed for a specific term, subject to re-election. At present, each of Mr. Ching Clement Yat-biu, Mr. Chai Chung Wai and Mr. Lee Koon Hung, the independent non-executive Directors have been appointed for a specific term of three years.

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election.

Auditors' Remuneration

For the year ended 31 December 2012, the remuneration paid to the auditors, CCIF CPA Limited in respect of audit services and non-audit service assignment amounted to approximately RMB1,120,000 (2011: approximately RMB1,146,000) and approximately RMB171,000 (2011: approximately RMB174,000) respectively.

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for the period. In preparing the consolidated financial statements for the year, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and on a going concern basis. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware any material uncertainties relating to events or conditions which may cost significant doubt over the Group's ability to continue as a going concern. It is the auditor's responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion solely to the Shareholders, as a body, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditor's report.

Internal Control

During the year, the Board complied with the Code Provision on internal control. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. During the year, the Board has conducted a review of the effectiveness of the system of internal control of the Company and its principal subsidiaries with no material issues noted.

The Board also considered that there is adequate resources, qualifications and experience of staff in the Group to monitor the Group's accounting and financial reporting functions. The Company will ensure such matters are under review by the Board periodically and training programmes will be provided to the staff whenever necessary to ensure their knowledge and experience are adequate to discharge their duties.

Company Secretary

Mr. Mok Yu Ting was appointed as Company Secretary. According to Rule 5.15 of the GEM Listing Rules, Mr. Mok have taken no less than 15 hours of relevant professional training.

Shareholders' Rights

Convening an extraordinary general meeting

Pursuant to article 12.3 of the articles of association of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall also be convened on the requisition of two or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within three months after the deposit of such requisition. If within twenty one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy (the "Policy"). Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (quarterly report, half-yearly reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch share registrar and transfer office.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition.

Shareholders or investors can enquire by putting their proposals with the Company through the following means:–

Hotline no.:	2153 3231
By post:	Shops 1-4, G/F Lok Ka House, 240-242 Chatham Road North, 1A-1C Baker Street, Kowloon, Hong Kong

Investor Relations and Communication with Shareholders

The Company has established a range of communication channels between itself and its shareholders, and investors. These include the publication of annual, half-yearly and quarterly reports, notices, announcements and circulars, the Company's website at www.sinolifegroup.com and meetings with investors and analysts.

Directors and Senior Management

Directors

Executive Directors

Mr. Liu Tien-Tsai (劉添財), aged 54, is the chairman of the Group. He was appointed as an executive Director on 24 February 2005. Mr. Liu is responsible for the overall corporate strategies, planning, overall operational management and business development of the Group. Mr. Liu founded Bau Shan and became its controlling shareholder in 1998, and has since then been continuously expanding its management team. Mr. Liu is also the team head of the funeral services deed team. Since the Group's establishment, Mr. Liu has played an active role in training its team.

Mr. Liu obtained certificates in Non-Profit Making Organisation Management and Mortuary Science and Funeral Service Management from Nanhua University (南華大學) in 2000 and 2001 respectively. Having over 10 years of managerial, corporate and business experience, Mr. Liu began his career in funeral business since 1998. Mr. Liu has been a member of Japan Environmental Zhai Yuan Association (日本環境齋苑協會), the National Funeral Director Association of the United States and the FIAT-IFTA of Holland, and a council member of Society of Chinese Funeral Education (中華民國殯葬教育學會) and Chinese Society of Life and Death Studies (中華生死學會). Mr. Liu had also been a lecturer holding seminars on the skills of being a ceremonial master and cosmetology at the Continuing Education Centre, Ling Tung College (嶺東技術學院進修暨推廣教育中心) in Taiwan. Mr. Liu is currently an honorary member of the China Funeral Association (中國殯葬協會) in the PRC. Mr. Liu has not served in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Mr. Ting Yung-Chieh (丁用節), aged 49, is an executive Director of the Company appointed on 30 September 2012. Mr. Ting joined the Group in February 2012 as the Business Controller and has been appointed as Chief Operating Officer of the Group since June 2012 and is responsible for overall corporate operational management and business development of the Group. Mr. Ting graduated from the Department of Business Administration of the National Chengchi University in June 1990 with a bachelor degree in business administration in Taiwan. Mr. Ting has extensive professional experience in business management, products planning and marketing and services innovation of funeral services industry in Taiwan and has held senior position in well-known funeral enterprises which are listed in Taiwan. Mr. Ting has over 20 years of management experiences in the funeral services industry and possessed the requisite management capability to manage the funeral services business of the Group. Mr. Ting was a deputy general manager of Lungyen Life Service Corporation (GTSM Stock Code: 5530), a company listed on the Gre Tai Securities Market in Taiwan, from 2008 to 2011.

Mr. Kim Eun Back (金彥博), aged 46, is an executive Director of the Company appointed on 16 February 2009. Mr. Kim joined the Group in July 1999. Mr. Kim has over 10 years of experience in the industry of funeral services since he joined Bau Shan in 1999. He is responsible for the implementation of the Group's objectives and business development in Taiwan, in particular overseeing the daily operations in Taiwan, monitoring and over-seeing the implementation of funeral services, the improvement of the services and public relation affairs of the Group. He is also the team head of the Taiwan internal compliance team. Mr. Kim's effort has led to significant business growth of Bau Shan. Mr. Kim graduated from the Department of Political Science of the National Chengchi University (國立政治大學) in June 1989, obtained a master degree from the Department of Public Affairs of the Yonsei University (延世大學), Korea in February 1993 and obtained the certificate of ceremonial master from Nanhua University, Taiwan in 2000. Prior to joining the Group, Mr. Kim had working experience in companies that provide funeral services. He has accumulated experience in the funeral services industry which is beneficial to the Group. Mr. Kim has not served in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Independent non-executive Directors

Mr. Chai Chung Wai (齊忠偉), aged 46, is an independent non-executive Director of the Company. He joined the Group in February 2009 and was appointed an independent non-executive Director on 16 February 2009. Mr. Chai obtained his master degree of Accounting from Jinan University on 6 January 2004 and of business administration from the University of Manchester in December 2006. Mr. Chai is a fellow member of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of the Institute of Chartered Accountants in England and Wales and a Fellow of The Hong Kong Institute of Directors. Mr. Chai has extensive experience of over 20 years in the accounting and financial field. He had been the financial controller, and qualified accountant of Yunnan Enterprises Holdings Limited (Stock Code: 455), a company listed on the Stock Exchange, in 2007, also being the executive director, financial controller, company secretary and qualified accountant of Broad Intelligence International Pharmaceutical Holdings Limited (Stock Code: 1149), a company listed on the Stock Exchange, from 2003 to 2007. Since 6 August 2009, Mr. Chai has been the company secretary of Huafeng Group Holdings Limited (Stock Code: 364) a company listed on the Stock Exchange.

Mr. Ching Clement Yat-biu (程一彪), aged 68, is an independent non-executive Director of the Company. He joined the Group in February 2009 and was appointed an independent non-executive Director on 16 February 2009. Mr. Ching obtained the degree of bachelor of Science in Aerospace Engineering from the University of Kansas in 1967, and the master of business administration degree from the University of Toronto in 1976. He is the director of Caneast Group (Canada) Inc. and also a fellow of the Institute of Canadian Bankers. Mr. Ching has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date.

Mr. Lee Koon Hung (李冠洪), aged 50, is an independent non-executive Director of the Company appointed on 30 September 2012. Mr. Lee obtained a higher diploma from Hong Kong Polytechnic (now known as "The Hong Kong Polytechnic University"). Mr. Lee is presently the director of Long Rich Investment Consultants Limited. Mr. Lee has extensive experience in investment. Mr. Lee is presently a member of the North District Council of the Hong Kong Special Administrative Region of the People's Republic of China. Mr. Lee is also the chairman of Sha Tau Kok District Rural Committee, N.T., the Ex-officio Executive Councillor of Heung Yee Kuk N.T. and Village Indigenous Inhabitant Representative of Wu Kau Tang of Sha Tau Kok District Rural Committee, N.T.. Mr. Lee is also the honorary president of Border District Junior Police Call of Hong Kong, a member of the school management committee of New Territories Heung Yee Kuk Tai Po District Secondary School and a member of the school management committee of Sha Tau Kok Central Primary School. Mr. Lee has entered into a service contract with the Company for an initial term of three years.

Senior Management

Mr. Tuan Hung Yi (段鴻毅), aged 45, joined the Group in June 2010 and is the general manager of Chongqing Xibao Funeral Technology Company Limited (重慶錫寶殯儀科技有限公司) ("Xibao Technology") and Chongqing Xizhou Funeral Service Company Limited (重慶錫周殯葬服務有限公司) ("Xizhou Service"). He graduated from the Department of Political Science of the National Chengchi University (國立政治大學) in June 1993 with a bachelor degree of Political Science and obtained a certificate from Nanhua University (南華大學) in Taiwan in Mortuary Science and Funeral Service Management in June 2000. As the general manager of Xibao Technology and Xizhou Service, Mr. Tuan is responsible for the sales, marketing and overall business development of all funeral parlours and funeral service centres in the PRC. Mr. Tuan has over 15 years of management experience in the funeral services industry and acquired the requisite management capability to manage the funeral services business of the Group to its benefit.

Mr. Wang Shun Lang (王順郎), aged 45, joined the Group in September 2008 and is the general manager for business development of Xibao Technology. He obtained a certificate from Nanhua University (南華大學) in Taiwan in Mortuary Science and Funeral Service Management in August 2001. As the general manager for business development of Xibao Technology since January 2009, he is responsible for designing and planning for the funeral parlours, promotion and advertisements. Mr. Wang is the head of the PRC internal compliance team. He also provides funeral services training to the senior staff of the Group in the PRC. Mr. Wang has over 10 years of management experience in the funeral services industry and acquired the requisite management capability to manage the funeral services business of the Group to its benefit.

Ms. Pan Hsiu-Ying (潘秀盈), aged 34, graduated from the Ming Chuan University (銘傳大學) with a bachelor degree of Management in 2001 and joined the Group in June 2001 as an administrative assistant. Ms. Pan Hsiu-Ying has since served the Group to the present in various capacities. Ms. Pan has a thorough knowledge and understanding of the Group's business and operations, and has developed a high level of proficiency and management ability with respect to her work with the Group. As head of the funeral services deed department, Ms. Pan is responsible for marketing and attaining the sale of funeral services deeds. Ms. Pan has over 10 years of experience in management in respect of the Group's business and operation.

Company Secretary

Mr. Mok Yu Ting (莫裕庭), aged 36, has served as the financial controller and company secretary of the Company since March 2008. Mr. Mok is responsible for the Company's financial and treasury management. Mr. Mok is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Mok graduated from the Hong Kong University of Science and Technology in 1999 with the degree of bachelor of Business Administration in Accounting and further obtained two master degrees of Corporate Finance from the Hong Kong Polytechnic University in 2006 and of Law in China Business Law from the Chinese University of Hong Kong in 2009. He has over 13 years of experience in auditing, accounting and financial management.

The Board is here to present the annual report and the audited consolidated financial statements for the year ended 31 December 2012.

Principal Activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 39 to the consolidated financial statements. There were no significant changes in nature of Group's principal activities during the year.

Results and Appropriations

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 35 to 114.

The Board does not recommend the payment of any dividend for the year ended 31 December 2012.

Use of Proceeds From the Company's Initial Public Offering

The proceeds from the Company's issue of new shares at the time of its listing on the GEM of Stock Exchange in September 2009, after deduction of related issuance expenses, amounted to approximately RMB82.3 million. These proceeds will be fully applied in accordance with the proposed applications set out in the Prospectus, as follows:

– approximately RMB28.6 million for the expansion of funeral services in the PRC;

– approximately RMB5.6 million for the refurbishment of existing funeral parlours and funeral service centres under the Group's management in the PRC;

– approximately RMB28.6 million for the purchase of funeral service equipment and facilities;

– approximately RMB1.5 million for the expansion of its marketing network in the PRC;

– approximately RMB11.6 million for the development of columbarium business in Taiwan, and;

– approximately RMB6.4 million for general working capital of the Group.

All the remaining proceeds as at 31 December 2012 have been placed as interest bearing deposits in banks.

Summary of Financial Information

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**61,767**	72,521	67,600	47,544	41,481
Gross profit	**46,288**	45,564	50,363	34,138	29,274
(Loss)/profit before taxation	**(28,565)**	(27,947)	5,355	16,780	4,034
(Loss)/profit attributable to owners of the Company	**(29,487)**	(30,079)	1,105	12,463	2,128
Basic (loss)/earnings per share (RMB cents)	**(3.97)**	(4.05)	0.16	2.48	0.47

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**63,403**	57,027	53,495	38,747	33,031
Current assets	**282,592**	315,135	367,006	222,561	132,493
Current liabilities	**126,141**	125,207	133,778	126,344	142,155
Net assets	**210,294**	236,892	273,374	121,610	9,162

Major Customers and Suppliers

Since the Group is principally engaged in the provision of funeral services, and trading of raw marble used for the construction of buildings and gravestones. None of its customers accounted for more than 1% of its total turnover during the year. Purchases from the Group's five largest suppliers accounted for 21.7% of the total purchases for the year and purchases from the largest supplier included therein amounted to 7.3%.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

Segment Reporting

Details of segment reporting are set out in note 4 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2012, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately RMB145.7 million.

Donations

Charitable donations made by the Group during the year amounted to RMB41,000 (2011: RMB184,000).

Directors

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Liu Tien-Tsai
Mr. Kim Eun Back
Mr. Ting Yung-Chieh (appointed on 30 September 2012)

Non-executive Directors

Mr. Niu Tse-Cheng (resigned on 30 September 2012)
Mr. Zheng Yimin (resigned on 30 September 2012)

Independent non-executive Directors

Mr. Ching Clement Yat-biu
Mr. Chai Chung Wai
Mr. Lam Ying Hung Andy (resigned on 30 September 2012)
Mr. Luo Xuegang (resigned on 30 September 2012)
Mr. Lee Koon Hung (appointed on 30 September 2012)

According to the requirements of Article 16.18 of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Liu Tien-Tsai and Mr. Ching Clement Yat-biu will retire by rotation in accordance with Article 16.18 of the Article of Association, and, being eligible, offer themselves for re-election in the forthcoming Annual General Meeting.

Board of Directors and Senior Management

Biographical information of the Directors and senior management of the Group are set out on pages 20 to 22 of this annual report.

Directors' Service Agreement

Each of the executive Directors, namely Mr. Liu Tien-Tsai, Mr. Kim Eun Back, and Mr. Ting Yung-Chieh has entered into a service agreement with the Company for a term of three years commencing from 9 September 2009, 9 September 2009 and 30 September 2012 respectively, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Two of the independent non-executive Directors, namely Mr. Ching Clement Yat-biu and Mr. Chai Chung Wai, have re-entered into a letter of appointment with the Company for a term of three years from 9 September 2012 to 8 September 2015, which can be terminated by either party giving not less than one month's notice in writing to the other party.

One independent non-executive Directors, namely Mr. Lee Koon Hung has entered into a letter of appointment with the Company for a term of three years from 30 September 2012 to 29 September 2015, which can be terminated by either party giving not less than one month's notice in writing to the other party.

None of the Directors, including those to be re-elected at the forthcoming Annual General Meeting, has a service agreement which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

Emolument Policy

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

Remuneration of Directors and Five Individuals With Highest Emoluments

Details of the emoluments of the directors and five individuals with highest emoluments are set out in note 8 and note 9 to the consolidated financial statements.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations

As at 31 December 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) ("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 31 December 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 Yong Sheng (note 1)	Personal	36,632,000	4.93%
	Family interest	5,152,000	0.69%
Yu Wen Ping (note 1)	Personal	5,152,000	0.69%
	Family interest	36,632,000	4.93%

Note:

1. Yu Wen Ping, the spouse of Yang Yong Sheng, was deemed to be interested in all the interest of Yang Yong Sheng and vice versa.

Directors' Interests in Contracts

Save as disclosed in note 35 to the consolidated financial statements, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Rights to Acquire Shares Or Debentures

Apart from the details as disclosed under the heading "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

Continuing Connected Transactions

Exempted Continuing Connected Transactions

Trademark Licence Agreement

On 1 January 2012, the Company has entered into the Trademark Licence Agreement (the "Trademark Agreement") with Mr. Liu Tien-Tsai ("Mr. Liu"). Pursuant to the Trademark Agreement, Mr. Liu has agreed to grant to the Group on an exclusive basis, a licence to use a number of trademarks and service marks in connection with the Group's funeral services business at a consideration of HK$1,000 per year.

Signing of Deed of Trust

On 14 March 2003, a deed of trust (the "Niao Song Deed") was entered into between Bau Shan Life Science Technology Co., Ltd（寶山生命科技股份有限公司）("Bau Shan"), a subsidiary of the Company and Ms. Li Pi Hsia ("Ms. Li")（李碧霞）, spouse of Mr. Liu, in relation to the land property situated in Taiwan at No. 943 in Section Linnei, Niao Song Township, Kaohsiung County（高雄縣鳥松鄉林內段943地號）(the "Niao Song Property"). Under the Niao Song Deed, Bau Shan agreed that the Niao Song Property, which is owned by Bau Shan, shall be registered under the name of and held on trust by Ms. Li for Bau Shan for a term of ten years commencing on 14 March 2003. Ms. Li has agreed that she shall act in the interest of Bau Shan in relation to the Niao Song Property during the term of the Niao Song Deed.

The Group entered into a trust arrangement instead of transferring the Niao Song Property to the Group because, as advised by the Taiwan legal adviser to the Group, the Niao Song Property is a piece of agricultural land and the Law of Agriculture Development of Taiwan does not allow Bau Shan being a private corporate body, to be registered as an owner of a piece of agricultural land. Therefore, the Niao Song Property is held on trust by Ms. Li for Bau Shan. The Taiwan legal adviser to the Group has advised that the Niao Song Deed complies with the Trust Act and other relevant laws and regulations in Taiwan.

Licensing of the use of a property in the PRC to Xibao Technology by Mr. Liu

Mr. Liu signed a confirmation letter agreeing the licensee, Xibao Funeral, a subsidiary of the Company, to lawfully use the property situated at Unit 1404 on Level 14, Zhongxing Garden, No. 1 Heping Road, Chongqing City, the PRC (the "Licensed Property") as the registered office without the payment of rent or licence fee. The signed confirmation from Mr. Liu authorizing Xibao Technology to use the Licensed Property as its registered office does not limit Mr. Liu's personal use, rental and mortgage of the Licensed Property. There was no revenue or profit contributed by the Licensed Property during the year as there had been no occupancy of the Licenced Property during the year.

The property licensing arrangement with Mr. Liu will last until 30 January 2052.

All the transactions fall within Rule 20.33(3) of the GEM Listing Rules and each constitutes a *de minimis* continuing connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, the related party transactions are set out in note 35 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

Purchase, Sale and Redemption of the Shares

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

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Directors' Interest in a Competing Business

During the year, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the GEM Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 December 2012 are set out in note 26 to the consolidated financial statements.

Retirement Schemes

Particulars of the retirement schemes of the Group are set out in note 14 to the consolidated financial statements.

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the independent non-executive Directors are independent.

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct from the date of listing of the Company's Shares on the Stock Exchange up to 31 December 2012.

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 eligible participants who have contributed or may contribute to the Group as incentive or rewards for their contributions to the Group.

(b) The eligible participants include (i) any employee or proposed employee of the Company and/or any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive directors and any non-executive directors (including independent non-executive directors) of the Company, any of such subsidiaries or any Invested Entity; 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 on the day on which trading of the Company's shares commenced on the GEM Board ("General Scheme Limit").

The total number of shares available for issue under the Share Option Scheme is 74,250,000 representing 10% of the issued shares of the Company as at the year end date.

(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 participants in any twelve-month period 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 eligible participants in writing and shall remain open for acceptance by the eligible 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 eligible 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 eligible participant, together with a non-refundable remittance in favour of the Company of HK$10 by way of consideration for the grant thereof is received by the Company, within such time as may be specified in the offer.

(g) For the options granted in 2010, they are exercisable starting half year from the grant date. 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.

For the options granted in 2012, they are exercisable starting one year from the grant date. The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 5 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 non-refundable 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 31 December 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 31 December 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	–	–	(664,000)	10,172,000
	16 January 2012	HK$0.60	16 January 2013 to 15 January 2017	–	9,920,000	–	(1,960,000)	7,960,000
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	–	(3,624,000)	66,032,000

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 2011 expire ten years from the date of grant. As at 31 December 2012, 2,572,000 of 52,072,000 options (2011: 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 49,500,000 of 52,072,000 options (2011: 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 of 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 31 December 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.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

Save and except the deviation from the Code Provision A.2.1 as contained in Appendix 15 to the GEM Listing Rules, the Company had, during the year, complied with the Code Provision.

The Group's compliance with the code provisions is set out in the Corporate Governance Report from page 12 to page 19 of this annual report.

Auditors

CCIF CPA Limited has acted as auditors of the Company for the year ended 31 December 2012.

CCIF CPA Limited shall retire in the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Liu Tien-Tsai
Chairman and
Executive Director

Hong Kong, 20 March 2013

CCIF CPA LIMITED
9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SINO-LIFE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino-Life Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 35 to 114, which comprise the consolidated and Company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 20 March 2013
Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Turnover	4(a)	**61,767**	72,521
Cost of sales		**(15,479)**	(26,957)
Gross profit		**46,288**	45,564
Other revenue	5	**1,540**	3,482
Other net gain/(loss)	5	**5,502**	(3,005)
Selling expenses		**(25,116)**	(26,672)
Administrative expenses		**(44,103)**	(43,141)
Other operating expenses		**(12,439)**	(3,890)
Loss from operations		**(28,328)**	(27,662)
Finance costs	6(a)	**(237)**	(285)
Loss before taxation	6	**(28,565)**	(27,947)
Income tax	7	**(1,224)**	(1,769)
Loss for the year		**(29,789)**	(29,716)
Other comprehensive income/(loss) for the year (after tax)	10		
Surplus/(deficit) on revaluation of land and buildings held for own use		**580**	(1,269)
Exchange differences on translation of financial statements of operations outside the People's Republic of China ("non-PRC operations")			
– Exchange differences arising during the year		**(309)**	(10,570)
– Reclassification adjustments relating to non-PRC operations disposed of during the year		**(76)**	–
		(385)	(10,570)
Other comprehensive income/(loss) for the year, net of tax		**195**	(11,839)
Total comprehensive loss for the year, net of tax		**(29,594)**	(41,555)
(Loss)/profit attributable to:			
Owners of the Company	11	**(29,487)**	(30,079)
Non-controlling interests		**(302)**	363
		(29,789)	(29,716)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(29,170)**	(41,893)
Non-controlling interests		**(424)**	338
		(29,594)	(41,555)
Loss per share	12		
Basic and diluted		**RMB(3.97) cents**	RMB(4.05) cents

The notes on pages 41 to 114 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**55,866**	43,544
Prepaid lease payments	16	**3,835**	–
Intangible assets	17	**2**	2
Deposit for acquisition of property		**–**	6,231
Deposits for hire of funeral parlours and funeral services centres	21	**3,700**	7,250
		63,403	57,027
CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss	18	**42,603**	38,971
Development and formation costs	19	**5,164**	–
Inventories	20	**996**	9,072
Tax recoverable	29(a)	**440**	393
Trade and other receivables	21	**55,709**	72,528
Prepaid lease payments	16	**82**	–
Pledged bank deposits	22	**17,869**	–
Cash and cash equivalents	23	**159,729**	194,171
		282,592	315,135
CURRENT LIABILITIES			
Trade and other payables	24	**9,597**	14,854
Receipts in advance	25	**104,686**	108,410
Current portion of bank borrowings	26	**10,699**	594
Current portion of other loan	27	**213**	194
Obligation under finance lease	28	**–**	9
Current taxation	29(a)	**946**	1,146
		(126,141)	(125,207)
NET CURRENT ASSETS		**156,451**	189,928
TOTAL ASSETS LESS CURRENT LIABILITIES		**219,854**	246,955
NON-CURRENT LIABILITIES			
Bank borrowings	26	**9,448**	9,750
Other loan	27	**112**	313
		(9,560)	(10,063)
NET ASSETS		**210,294**	236,892
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**69,218**	69,218
Reserves		**136,917**	164,621
		206,135	233,839
Non-controlling interests		**4,159**	3,053
TOTAL EQUITY		**210,294**	236,892

Approved and authorised for issue by the board of directors on 20 March 2013.

Liu Tien-Tsai
Chairman

Ting Yung-Chieh
Executive Director

The notes on pages 41 to 114 form part of these financial statements.

Statement of Financial Position

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,262**	169
Investments in subsidiaries	40	**19,450**	35,344
Intangible assets	17	**2**	2
		22,714	35,515
CURRENT ASSETS			
Other receivables	21	**128,949**	121,340
Pledged bank deposits	22	**17,869**	–
Cash and cash equivalents	23	**45,549**	97,926
		192,367	219,266
CURRENT LIABILITIES			
Other payables	24	**9,529**	6,567
Bank borrowings	26	**10,073**	–
		(19,602)	(6,567)
NET CURRENT ASSETS		**172,765**	212,699
NET ASSETS		**195,479**	248,214
EQUITY			
Share capital	30	**69,218**	69,218
Reserves	31	**126,261**	178,996
TOTAL EQUITY		**195,479**	248,214

Approved and authorised for issue by the board of directors on 20 March 2013.

Liu Tien-Tsai	**Ting Yung-Chieh**
Chairman	Executive Director

The notes on pages 41 to 114 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	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	69,218	220,633	(16,261)	225	1,550	1,756	(1,230)	4,204	(6,507)	273,588	(214)	273,374
Loss for the year	–	–	–	–	–	–	–	–	(30,079)	(30,079)	363	(29,716)
Deficit on revaluation of land and buildings held for own use	–	–	–	–	–	(1,269)	–	–	–	(1,269)	–	(1,269)
Exchange differences on translation of financial statements of non-PRC operations	–	–	–	–	–	–	(10,545)	–	–	(10,545)	(25)	(10,570)
Other comprehensive loss	–	–	–	–	–	(1,269)	(10,545)	–	–	(11,814)	(25)	(11,839)
Total comprehensive loss for the year	–	–	–	–	–	(1,269)	(10,545)	–	(30,079)	(41,893)	338	(41,555)
Equity-settled share-based transactions	–	–	–	–	–	–	–	2,144	–	2,144	–	2,144
Lapse of share options granted	–	–	–	–	–	–	–	(9)	9	–	–	–
Non-controlling interests arising on the acquisition of subsidiaries (note 33)	–	–	–	–	–	–	–	–	–	–	2,931	2,931
Decrease in non-controlling interests arising on acquisition of additional interests in a non-wholly owned subsidiary (note 40(iii))	–	–	–	–	–	–	–	–	–	–	(2)	(2)
At 31 December 2011	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**487**	**(11,775)**	**6,339**	**(36,577)**	**233,839**	**3,053**	**236,892**
At 1 January 2012	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**487**	**(11,775)**	**6,339**	**(36,577)**	**233,839**	**3,053**	**236,892**
Loss for the year	–	–	–	–	–	–	–	–	(29,487)	(29,487)	(302)	(29,789)
Surplus on revaluation of land and buildings held for own use	–	–	–	–	–	580	–	–	–	580	–	580
Exchange differences on translation of financial statements of non-PRC operations	–	–	–	–	–	–	(263)	–	–	(263)	(122)	(385)
Other comprehensive income	–	–	–	–	–	580	(263)	–	–	317	(122)	195
Total comprehensive loss for the year	–	–	–	–	–	580	(263)	–	(29,487)	(29,170)	(424)	(29,594)
Equity-settled share-based transactions	–	–	–	–	–	–	–	1,466	–	1,466	–	1,466
Lapse of share options granted	–	–	–	–	–	–	–	(85)	85	–	–	–
Capital contributions received by non-wholly owned subsidiaries from non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,532	1,532
Decrease in non-controlling interests arising on acquisition of additional interests in a non-wholly owned subsidiary (note 40(iii))	–	–	–	–	–	–	–	–	–	–	(2)	(2)
At 31 December 2012	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**1,067**	**(12,038)**	**7,720**	**(65,979)**	**206,135**	**4,159**	**210,294**

The notes on pages 41 to 114 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (Restated)
OPERATING ACTIVITIES			
Loss before taxation		**(28,565)**	(27,947)
Adjustments for:			
Amortisation of intangible assets		**–**	2
Amortisation of prepaid lease payments	6(c)	**14**	–
Impairment loss on prepayments and other receivables	6(c)	**760**	3,670
Finance costs	6(a)	**237**	285
Surplus on revaluation of land and buildings held for own use	5	**(117)**	(391)
Loss on disposal of property, plant and equipment	5	**106**	–
Gain on disposal of subsidiaries	5	**(734)**	–
Depreciation	6(c)	**4,425**	4,188
Loss on derecognition of assets	6(c)	**11,275**	–
Dividend income	5	**–**	(346)
Interest income	5	**(619)**	(2,948)
Net realised and unrealised (gain)/loss on financial assets designated as at fair value through profit or loss	5	**(1,629)**	1,626
Net realised loss on trading securities	5	**–**	1,492
Net loss on foreign exchange forward contracts	5	**87**	–
Net exchange (gain)/loss	5	**(2,657)**	985
Equity-settled share-based payment expenses	6(b)&(c)	**1,466**	2,144
		12,614	10,707
		(15,951)	(17,240)
CHANGES IN WORKING CAPITAL			
Increase in inventories		**(418)**	(8,389)
Decrease in trade and other receivables		**8,229**	5,189
(Increase)/decrease in financial assets designated as at fair value through profit or loss		**(704)**	3,976
Payment for the purchase of trading securities		**–**	(505,086)
Proceeds from disposal of trading securities		**–**	503,496
Increase in development and formation costs		**(5,164)**	–
Increase in trade and other payables		**1,090**	6,196
Decrease in receipts in advance		**(7,273)**	(16,642)
		(4,240)	(11,260)
CASH USED IN OPERATIONS		**(20,191)**	(28,500)
Income taxes paid			
Taiwan		**(33)**	(481)
The People's Republic of China ("PRC")		**(1,424)**	(2,345)
		(1,457)	(2,826)
NET CASH USED IN OPERATING ACTIVITIES		**(21,648)**	(31,326)
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		**(14,153)**	(4,331)
Payment for deposit for acquisition of property		**–**	(6,231)
Proceeds from disposal of property, plant and equipment		**37**	–
Acquisition of subsidiaries, net of cash acquired	33	**–**	2,786
Dividends received from listed securities		**–**	346
Disposal of subsidiaries, net of cash disposed of	34	**3,919**	–
Increase in pledged bank deposits		**(17,869)**	–
Interest received		**619**	2,948
NET CASH USED IN INVESTING ACTIVITIES		**(27,447)**	(4,482)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (Restated)
FINANCING ACTIVITIES			
Capital element of finance lease rentals paid		**(9)**	(8)
Interest element of finance lease rentals paid		**(1)**	(2)
Proceeds from new bank borrowings		**16,477**	13,100
Repayment of bank borrowings		**(6,925)**	(13,722)
Interest on bank borrowings		**(206)**	(223)
Repayment of other loans		**(198)**	(1,874)
Interest on other loans		**(30)**	(60)
Payment for acquisition of additional interests in a non-wholly owned subsidiary	40(iii)	**(2)**	(2)
Capital contributions received by non-wholly owned subsidiaries from non-controlling interests		**1,532**	–
NET CASH GENERATED FROM /(USED IN) FINANCING ACTIVITIES		**10,638**	(2,791)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(38,457)**	(38,599)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**194,171**	242,713
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**4,015**	(9,943)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**159,729**	194,171
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank and on hand	23	**159,729**	194,171

The notes on pages 41 to 114 form part of these financial statements.

1. General Information

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. Its ultimate controlling party is Mr. Liu Tien-Tsai.

The Company is principally engaged in investment holding. The subsidiaries are 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"). The Company and its subsidiaries are herein collectively referred to as the "Group". The address of the Company's registered office and principal place of business are Marquee Place, Suite 300, 430 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands and Shops 1-4, G/F Lok Ka House, 240-242 Chatham Road North, 1A-1C Baker Street, Kowloon, Hong Kong respectively.

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries.

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$"). The functional currency of its subsidiaries are Renminbi ("RMB"), New Taiwan dollars ("NTD"), US$ and Hong Kong dollars ("HK$") respectively. The 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 financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– freehold land and buildings (see note 2(e));

2. Significant Accounting Policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

– financial assets designated as at fair value through profit or loss (see note 2(g)); and

– derivative financial instruments (see note 2(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 42.

(c) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 *Income Tax*;

- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

2. Significant Accounting Policies (Continued)

(c) Business combination (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. Significant Accounting Policies (Continued)

(d) Subsidiaries, controlled special purpose entities and non-controlling interests

Subsidiaries and controlled special purpose entities are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

An investment in a subsidiary and contributions to controlled special purpose entity are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

In the Company's statement of financial position, investment in the subsidiaries are stated at cost less impairment losses (see note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. Significant Accounting Policies (Continued)

(e) Property, plant and equipment

The freehold land and buildings held for own use are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the end of reporting period.

The other property, plant and equipment, other than construction in progress, are stated in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses (see note 2(l)).

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the properties revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the properties revaluation reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– freehold land is not depreciated;

– buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after the date of completion;

– buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;

– Leasehold improvements	3 to 10 years or over the remaining term of the lease, if shorter
– Furniture, fixtures and office equipment	2 to 5 years
– Motor vehicles	5 years

2. Significant Accounting Policies (Continued)

(e) Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the properties revaluation reserve to accumulated losses and is not reclassified to profit or loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease; and

2. Significant Accounting Policies (Continued)

(f) Leased assets (Continued)

(i) Classification of assets leased to the Group (Continued)

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(iv) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

2. Significant Accounting Policies (Continued)

(g) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loan and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

2. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the "other net gain/(loss)" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 32.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under equity. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

2. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in the equity. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeaurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other net gain/(loss)" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 32.

Other financial liabilities

Other financial liabilities including bank borrowings and other loans, trade and other payables and obligation under finance lease are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

2. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payables is recognised in profit or loss.

2. Significant Accounting Policies (Continued)

(h) Intangible assets

Intangible assets are trademark licence that are acquired separately and with finite useful lives ranging from five to ten years and are stated at cost less accumulated amortisation and any accumulated impairment losses (see note 2(l)). Amortisation is recognised on a straight-line basis over their estimated useful lives from the date they are available for use. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

(i) Development and formation costs

The development and formation costs represent development costs incurred for a cemetery site which will be completed for sale and are stated at the lower of cost and net realisable value.

The development costs comprise specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(s)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the cemetery.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2. Significant Accounting Policies (Continued)

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

– For trade receivables and other receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and other receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. Significant Accounting Policies (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- prepaid lease payments;
- intangible assets; and
- deposits.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. Significant Accounting Policies (Continued)

(l) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim Financial Reporting,* every three months. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Share-based payments

(i) Share options granted to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(ii) Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the counterparties render services, unless the services qualify for recognition as assets.

2. Significant Accounting Policies (Continued)

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. Significant Accounting Policies (Continued)

(o) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Provision of services

Revenue from the provision of cremation services, cemetery services, funeral arrangement services and funeral services in funeral parlours and funeral service centres under the Group's management is recognised when the services are rendered.

(ii) Sale of goods

Revenue is recognised when goods are delivered to the customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2. Significant Accounting Policies (Continued)

(q) Revenue recognition (Continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Commission income

Commission income represents the income received or receivable from referring of cubicles and spaces for urn storage in columbarium and referring of cemetery for customers.

Commission income is recognised when the final customers accepted the goods and the related risks and rewards of ownership.

(vi) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside the PRC ("non-PRC operations") are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

On the disposal of a non-PRC operation (i.e. a disposal of the Group's entire interest in a non-PRC operation, or a disposal involving loss of control over a subsidiary that includes a non-PRC operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

2. Significant Accounting Policies (Continued)

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. Significant Accounting Policies (Continued)

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA:

- Amendments to HKFRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*

- Amendments to HKAS 12, *Deferred Tax: Recovery of Underlying Assets*

As described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

Amendments to HKFRS 7, Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Deferred Tax: Recovery of Underlying Assets

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. The application of the amendments to HKAS 12 does not have significant impact to the Group's financial performance and positions for the current and prior years set out in these financial statements.

4. 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 during the year is as follows:

	2012 **RMB'000**	2011 RMB'000
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**42,721**	38,981
Cremation services	**11,332**	10,658
Funeral arrangement services	**5,220**	6,101
Cemetery services	**2,483**	2,486
Trading of raw marble	**11**	14,295
	61,767	72,521

(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.

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

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.

In addition to receiving segment information concerning segment results, the Executive Directors are provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation, loss on disposal of property, plant and equipment, impairment losses, gain on disposal of subsidiaries, income tax expenses, loss on derecognition of assets and additions to non-current segment assets used by the segments in their operations.

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Segment results, assets and liabilities (Continued)

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 years ended 31 December 2012 and 2011 is set out below:

	Year ended 31 December 2012				
	Funeral services			Trading of raw marble	Total
	Taiwan	Hong Kong	PRC		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue – Revenue from external customers	3,451	1,769	56,536	11	61,767
Reportable segment loss	(2,518)	(1,843)	(11,827)	(682)	(16,870)
Interest income	3	–	108	–	111
Interest expense	226	1	–	–	227
Depreciation and amortisation for the year	215	342	3,429	35	4,021
Loss on disposal of property, plant and equipment	–	–	31	–	31
Impairment loss on other receivables	–	–	760	–	760
Gain on disposal of subsidiaries	–	–	–	734	734
Income tax expense	–	–	1,224	–	1,224
Loss on derecognition of assets	–	–	11,275	–	11,275
Reportable segment assets	202,406	1,289	46,919	4,398	255,012
Additions to non-current segment assets during the year	769	29	5,658	28	6,484
Reportable segment liabilities	115,356	484	7,649	116	123,605

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Segment results, assets and liabilities (Continued)

	Year ended 31 December 2011				
		Funeral services		Trading of raw marble	Total
	Taiwan	Hong Kong	PRC		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue – Revenue from external customers	5,887	214	52,125	14,295	72,521
Reportable segment (loss)/profit	(572)	(3,881)	(10,226)	1,019	(13,660)
Interest income	3	–	12	2	17
Interest expense	260	1	–	–	261
Depreciation and amortisation for the year	223	344	3,475	61	4,103
Impairment loss on prepayments and other receivable	–	–	3,670	–	3,670
Income tax expense	664	–	1,105	–	1,769
Reportable segment assets	192,568	1,087	59,916	15,204	268,775
Additions to non-current segment assets during the year	396	55	10,805	728	11,984
Reportable segment liabilities	119,945	183	5,839	7,758	133,725

There are no inter-segment sales during the year (2011: Nil).

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Reconciliation of reportable segment revenue, loss, assets, liabilities and other items

	2012 RMB'000	2011 RMB'000
Revenue		
Total reportable segment revenue and consolidated turnover	**61,767**	72,521
Loss		
Reportable segment loss derived from Group's external customers	**(16,870)**	(13,660)
Other revenue	**1,540**	3,482
Other net gain/(loss)	**5,502**	(3,005)
Finance costs	**(237)**	(285)
Unallocated head office and corporate expenses		
– Depreciation and amortisation	**(418)**	(87)
– Auditors' remuneration	**(1,120)**	(1,146)
– Legal and professional fee	**(2,759)**	(2,981)
– Staff costs (including directors' remunerations)	**(8,587)**	(4,604)
– Operating lease charges: minimum lease payments	**(436)**	(394)
– Equity-settled share-based payment expenses	**(761)**	(1,624)
– Others	**(4,419)**	(3,643)
Consolidated loss before taxation	**(28,565)**	(27,947)
Assets		
Total reportable segment assets	**255,012**	268,775
Unallocated head office and corporate assets		
– Pledged bank deposits	**17,869**	–
– Cash and cash equivalents	**56,225**	98,916
– Development and formation costs	**5,164**	–
– Prepayments	**3,361**	3,706
– Property, plant and equipment	**7,645**	539
– Others	**719**	226
Consolidated total assets	**345,995**	372,162
Liabilities		
Total reportable segment liabilities	**123,605**	133,725
Unallocated head office and corporate liabilities		
– Bank borrowings	**10,073**	–
– Others	**2,023**	1,545
Consolidated total liabilities	**135,701**	135,270

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Reconciliation of reportable segment revenue, loss, assets, liabilities and other items (Continued)

	2012 RMB'000	2011 RMB'000
Other items		
Interest income		
Reportable segment total	111	17
Unallocated head office and corporate total	508	2,931
Consolidated total	619	2,948
Interest expense		
Reportable segment total	227	261
Unallocated head office and corporate total	10	24
Consolidated total	237	285
Depreciation and amortisation		
Reportable segment total	4,021	4,103
Unallocated head office and corporate total	418	87
Consolidated total	4,439	4,190
Loss on disposal of property, plant and equipment		
Reportable segment total	31	–
Unallocated head office and corporate total	75	–
Consolidated total	106	–
Additions to non-current segment assets during the year		
Reportable segment total	6,484	11,984
Unallocated head office and corporate total	7,669	576
Consolidated total	14,153	12,560

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

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, prepaid lease payments, 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, prepaid lease payments, 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.

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (place of domicile)	**56,547**	56,607	**32,877**	28,792
Taiwan	**3,451**	15,700	**29,129**	26,984
Hong Kong	**1,769**	214	**1,049**	1,251
Vietnam	**–**	–	**348**	–
	5,220	15,914	**30,526**	28,235
	61,767	72,521	**63,403**	57,027

Revenue from major products and services

	2012	2011
	RMB'000	RMB'000
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**42,721**	38,981
Cremation services	**11,332**	10,658
Funeral arrangement services	**5,220**	6,101
Cemetery services	**2,483**	2,486
Trading of raw marble	**11**	14,295
	61,767	72,521

Information about major customers

For the years ended 31 December 2012 and 2011, revenue from any single external customer does not amount to 10% or more of the Group's revenue.

5. Other Revenue and Other Net Gain/(Loss)

	2012 RMB'000	2011 RMB'000
Other revenue		
Interest income on bank deposits	609	18
Interest income on coupon bonds	10	2,930
Total interest income on financial assets not at fair value through profit or loss	619	2,948
Commission income	–	14
Dividend income	–	346
Sundry income	909	174
Rental income	12	–
	1,540	3,482
Other net gain/(loss)		
Gain on disposal of subsidiaries	734	–
Loss on disposal of property, plant and equipment	(106)	–
Surplus on revaluation of land and buildings held for own use	117	391
Net exchange gain/(loss)	2,657	(985)
Net loss on foreign exchange forward contracts	(87)	–
Net gain on terminated and lapsed funeral services deeds	558	707
Net realised loss on trading securities	–	(1,492)
Net realised and unrealised gain/(loss) on financial assets designated as at FVTPL	1,629	(1,626)
	5,502	(3,005)
	7,042	477

6. Loss Before Taxation

The Group's loss before taxation is arrived at after charging/(crediting) the followings:

	2012 RMB'000	2011 RMB'000
(a) Finance costs		
Interests on bank borrowings and other loans		
– wholly repayable within 5 years	40	83
– not wholly repayable within 5 years	196	200
Finance charges on obligation under finance lease	1	2
Total interest expenses on financial liabilities not at FVTPL	237	285

The amount of finance costs includes bank borrowings which contain a repayment on demand clause in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the year ended 31 December 2012, the interest on bank borrowings which contain a repayment on demand clause amounted to RMB10,000 (2011: RMB Nil).

6. Loss Before Taxation (Continued)

	2012 RMB'000	2011 RMB'000
(b) Staff costs (including directors' remunerations)		
Salaries, wages and other benefits	**20,276**	18,521
Equity-settled share-based payment expenses	**705**	520
Contributions to defined contribution retirement plans	**1,856**	1,709
	22,837	20,750

	2012 RMB'000	2011 RMB'000
(c) Other items		
Amortisation of intangible assets	**–**	2
Amortisation of prepaid lease payments	**14**	–
Auditors' remuneration	**1,120**	1,146
Cost of inventories	**8,692**	20,486
Depreciation		
– assets held for own use under finance leases	**4**	4
– other assets	**4,421**	4,184
	4,425	4,188
Operating lease charges: minimum lease payments		
– rented premises	**1,294**	1,349
Less: sub-leasing rental income	**(12)**	–
	1,282	1,349
– hire of plant and equipment	**336**	357
– hire of funeral parlours and funeral service centres	**13,324**	13,894
Operating lease charges: contingent rents		
– hire of funeral parlours and funeral service centres	**301**	–
Impairment loss on prepayments (note (i))	**–**	3,500
Impairment loss on other receivables	**760**	170
Loss on derecognition of assets (note (ii))	**11,275**	–
Equity-settled share-based payment expenses	**761**	1,624

6. Loss Before Taxation (Continued)

Notes:

(i) On 13 January 2009, a letter of intent was entered into between Chongqing Xibao Funeral Technology Co. Limited ("Xibao Technology"), an indirect wholly-owned subsidiary of the Company, and a company providing funeral services in Chongqing (the "Chongqing Company") concerning the management of a funeral parlour ("Letter of Intent"). Pursuant to the Letter of Intent, the duration for the management of the funeral parlour is ten years from 1 August 2009 to 31 July 2019. The annual management fee of RMB3,500,000 was paid by Xibao Technology in advance in 2009. During the period from 2009 to 2011, the Group was advised by the Chongqing Company that due to the change of shareholder's structure of the Chongqing Company was under process, the formal management agreement concerning the management of the funeral parlour cannot be entered into between the Chongqing Company and Xibao Technology. The Group conducted discussions with the Chongqing Company regarding the status of change of ownership of the Chongqing Company and was advised that the status remain unchanged. Due to the change of shareholder's structure of the Chongqing Company leading to the uncertainties on the execution of the project and recoverability of the prepayment, impairment loss of RMB3,500,000 was therefore recognised which was included in "other operating expenses" in the consolidated statement of comprehensive income.

(ii) This comprise of (i) compensation loss; and (ii) loss arising from the derecognition of property, plant and equipment and prepayments for repair and maintenance and consumables upon the termination of operation of An Fu Tang Funeral Service Centre（安福堂治喪中心）("An Fu Tang") for the year ended 31 December 2012.

On 3 February 2010, a management agreement was entered into between Xibao Technology and Chongqing An Fu Funeral Services Limited (the "An Fu Owner") and supplemental management agreement was entered into between Xibao Technology and the An Fu Owner on 28 February 2011 concerning the management of An Fu Tang (collectively "An Fu Tang Management Agreements"). Pursuant to the An Fu Tang Management Agreements, the duration for the management of An Fu Tang is five years from 1 March 2010 to 28 February 2015. During the tenure of the An Fu Tang Management Agreements, Xibao Technology is entitled to all profits generated from the provision of funeral services and is responsible for all the losses and expenses incurred for the provision of such services and is required to pay a deposit and annual management fee to the An Fu Owner.

During the year ended 31 December 2012, the directors of the Group reassessed the performance of the An Fu Tang and considered that due to the continuing loss-making of An Fu Tang, it is of the Group's best interest to terminate the management of An Fu Tang and accordingly the Group can allocate its financial and operational resources with improved efficiency to other operating units within the Group. Furthermore, the directors of the Group considered that the freed up resources enable the Group to seek other profitable business opportunities to further enhance the operations, financial condition and results of the Group.

Accordingly, on 15 June 2012, a rescission agreement and a settlement were entered into between Xibao Technology and the An Fu Owner, pursuant to which the An Fu Tang Management Agreements were terminated with effect from 31 May 2012. As a result, Xibao Technology has ceased the management of the operations of An Fu Tang. After the further discussion and negotiations among the An Fu Owner and Xibao Technology, a supplemental settlement was agreed between Xibao Technology and the An Fu Owner on 31 December 2012 as the final and conclusive settlement, pursuant to which the prepaid deposit, unutilised prepaid annual management fee and the receivable due by the An Fu Owner to Xibao Technology was waived by Xibao Technology as a compensation to the An Fu Owner due to the early termination of the An Fu Tang Management Agreements. The total loss on derecognition of assets of RMB11,275,000 is included in "other operating expenses" in the consolidated statement of comprehensive income.

7. Income Tax in the Consolidated Statement of Comprehensive Income

	2012 RMB'000	2011 RMB'000
Provision of current tax for the year		
– PRC Enterprise Income Tax (note (c))	**1,087**	1,105
– Taiwan Enterprise Income Tax (note (d))	**–**	63
	1,087	1,168
Under-provision of current tax in prior years		
– PRC Enterprise Income Tax	**137**	–
– Taiwan Enterprise Income Tax	**–**	601
	137	601
	1,224	1,769

Notes:

(a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2012 (2011: RMBNil).

(b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the British Virgin Islands ("BVI") for the year ended 31 December 2012 (2011: RMBNil).

(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) except that Chongqing Xizhou Funeral Service Company Limited ("Xizhou"), an indirect wholly-owned subsidiary of the Company, is entitled to a preferential tax rate of 15% for the enterprise income tax in accordance with 西部大開發企業所得稅優惠, which is retrospectively applied to Xizhou from January 2011 and, provided that the conditions precedent to entitlement of preferential tax rate are fulfilled by Xizhou in each of subsequent years, the preferential tax rate can be applied to Xizhou up to December 2020.

(d) No provision for enterprise income tax has been made for Bau Shan Life Science Technology Co., Ltd. ("Bau Shan"), a direct subsidiary of the Company and Bau De Funeral Services Holdings Co., Ltd. ("Bau De"), an indirect subsidiary of the Company, as the subsidiaries sustained losses for the year ended 31 December 2012 (2011: Bau Shan was subject to enterprise income tax rate at 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 as the subsidiary sustained losses).

(e) Bao Son Life Company Limited ("Bao Son Life") and Hoan Loc Viet Duc Hoa Corporation ("HLV Duc Hoa"), the indirect non-wholly-owned subsidiaries of the Company, are subject to Vietnam Corporate Income Tax at 25% on taxable profits determined in accordance with the relevant laws and regulations in Vietnam. No provision for Vietnam Corporate Income Tax has been made as Bao Son Life and HLV Duc Hoa have no assessable profits for the year ended 31 December 2012.

(f) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	2012 RMB'000	2011 RMB'000
Loss before taxation	**(28,565)**	(27,947)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	**(6,710)**	(5,668)
Tax effect of non-deductible expenses	**7,218**	3,609
Tax effect of non-taxable income	**(609)**	(156)
Tax effect of unused tax losses not recognised	**1,294**	1,563
Under-provision in prior years	**137**	601
Others	**(106)**	1,820
Actual tax expense	**1,224**	1,769

8. Directors' Remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Name of directors	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	2012 Retirement benefit scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors							
Mr. Liu Tien-Tsai	976	2,632	32	–	3,640	–	3,640
Mr. Kim Eun Back	195	116	–	–	311	68	379
Mr. Ting Yung-Chieh (appointed on 30 September 2012)	73	335	–	6	414	–	414
Non-executive directors							
Mr. Niu Tse-Cheng (resigned on 30 September 2012)	45	–	–	–	45	–	45
Mr. Zheng Yimin (resigned on 30 September 2012)	61	35	–	–	96	–	96
Independent non-executive directors							
Mr. Chai Chung Wai	57	–	–	–	57	–	57
Mr. Ching Clement Yat-biu	57	–	–	–	57	–	57
Mr. Lam Ying Hung Andy (resigned on 30 September 2012)	73	–	–	–	73	–	73
Mr. Lee Koon Hung (appointed on 30 September 2012	14	–	–	–	14	–	14
Mr. Luo Xuegang (resigned on 30 September 2012)	43	–	–	–	43	–	43
	1,594	3,118	32	6	4,750	68	4,818

Name of directors	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	2011 Retirement benefit scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors							
Mr. Liu Tien-Tsai	996	589	55	–	1,640	–	1,640
Mr. Kim Eun Back	199	369	–	–	568	–	568
Non-executive directors							
Mr. Niu Tse-Cheng	83	–	–	–	83	–	83
Mr. Zheng Yimin	83	115	–	–	198	–	198
Independent non–executive directors							
Mr. Chai Chung Wai	58	–	–	–	58	–	58
Mr. Ching Clement Yat-biu	58	–	–	–	58	–	58
Mr. Lam Ying Hung Andy	100	–	–	–	100	–	100
Mr. Luo Xuegang	58	–	–	–	58	–	58
	1,635	1,073	55	–	2,763	–	2,763

No directors of the Company waived any emoluments and no emoluments was paid or payable by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2012 and 2011.

As at 31 December 2012, the director held share options under the Company's share option scheme. The details of the share options are disclosed in note 41.

9. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, two (2011: two) are directors of the Company whose emoluments are disclosed in note 8. The emoluments of the remaining three (2011: three) individuals are as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and other benefits	**1,228**	906
Discretionary bonuses	**35**	36
Equity-settled share-based payments	**150**	83
Contributions to retirement benefit schemes	**14**	10
	1,427	1,035

The emoluments of the three (2011: three) individuals with the highest emoluments are within the following band:

	2012 Number of individuals	2011 Number of individuals
Nil to HK$1,000,000 (equivalent to RMB813,200)	**3**	3

No emoluments were paid by the Group to any of the three (2011: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2012 and 2011.

10. Other Comprehensive Income/(Loss)

Tax effects relating to each component of other comprehensive income/(loss) are as follows:

	2012			2011		
	Before-tax amount RMB'000	**Tax (expense)/ benefit RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Surplus/(deficit) on revaluation of land and buildings held for own use	**580**	**–**	**580**	(1,269)	–	(1,269)
Exchange differences on translation of financial statements of non-PRC operations	**(385)**	**–**	**(385)**	(10,570)	–	(10,570)
Other comprehensive income/(loss)	**195**	**–**	**195**	(11,839)	–	(11,839)

11. Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company includes a loss of approximately RMB53,052,000 (2011: RMB8,805,000) which has been dealt with in the financial statements of the Company.

12. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB29,487,000 (2011: RMB30,079,000) and the weighted average number of 742,500,000 ordinary shares (2011: 742,500,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share is same as basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2012 and 2011.

13. Dividends

The directors do not recommend payment of any dividend for the year ended 31 December 2012 (2011: RMBNil).

14. Retirement Benefits Schemes

Employees of the Group's PRC and Vietnam subsidiaries are required to participate in a defined contribution retirement benefit scheme administrated and operated by the local municipal government. The Group's PRC and Vietnam subsidiaries are required to make contributions prior to vesting to the scheme based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and Vietnam respectively and are charged to the consolidated statement of comprehensive income as incurred.

The Group is also required to participate in defined contribution retirement benefit schemes administered and operated by Bureau of Labour Insurance of Taiwan for employees employed in Taiwan. Under the scheme, the employers are required to make contributions to the scheme at 6% of the employees' relevant income. Contributions to the schemes vest immediately.

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan managed by independent trustees. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from each of the employer and employees are subject to a cap of HK$1,250 per month (HK$1,000 prior to June 2012) and thereafter contributions are voluntary. Contributions to the plan vest immediately.

Law of the PRC on Employment Contracts (the "Employment Contract Law") was adopted by the Standing Committee of the National People's Congress of the PRC in 2007 and became effective on 1 January 2008. Compliance with the requirements under the Employment Contract law, in particular, the requirement of severance payment and non-fixed term employment contracts, will increase the Group's labour costs.

Pursuant to the Employment Contract Law, the PRC subsidiaries are required to enter into non-fixed term employment contract with employees who has worked for the employer for more than 10 years or for whom a fixed term employment has been concluded for 2 consecutive terms. The employer is required to make severance payment to the employee when the term of the employment contract expires unless the employee voluntarily terminate the contract or voluntarily reject the offer to renew the contract in which the terms are no worse off than the terms of other employment contracts available to him/her. The severance payment will be equal to the monthly wages times the number of full years that the employee has been working for the employer. The minimum wages requirement has also been imposed. Fines will be imposed for any breach of the Employment Contract Law.

The Group has no other material obligation for the payment of retirement benefits associated with the retirement benefits schemes beyond the contribution described above.

15. Property, Plant and Equipment

(a) The Group

	Freehold land held for own use carried at fair value RMB'000	Buildings held for own use carried at fair value RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2011	21,500	8,335	5,207	1,929	2,028	10,732	49,731
Effect of foreign currency exchange differences	(1,759)	(683)	(41)	(61)	(20)	–	(2,564)
Additions	317	79	38	939	1,019	–	2,392
Construction expenditure capitalised	–	–	–	–	–	1,939	1,939
Acquisition of subsidiaries (note 33)	–	–	–	–	290	–	290
Transfers	–	–	4,149	1,553	912	(6,614)	–
Deficit on revaluation	(568)	(310)	–	–	–	–	(878)
Less: Elimination of accumulated depreciation	–	(174)	–	–	–	–	(174)
At 31 December 2011	19,490	7,247	9,353	4,360	4,229	6,057	50,736
Representing:							
Cost	–	–	9,353	4,360	4,229	6,057	23,999
Valuation – 2011	19,490	7,247	–	–	–	–	26,737
	19,490	7,247	9,353	4,360	4,229	6,057	50,736
At 1 January 2012	19,490	7,247	9,353	4,360	4,229	6,057	50,736
Effect of foreign currency exchange differences	648	241	(8)	(16)	(1)	3	867
Additions	–	2,300	863	4,591	576	–	8,330
Construction expenditure capitalised	–	–	–	–	–	8,123	8,123
Transfers	–	–	2,035	–	–	(2,035)	–
Disposals	–	–	(57)	(28)	(156)	(166)	(407)
Disposal of subsidiaries (note 34)	–	–	–	(755)	(294)	–	(1,049)
Derecogntion (note 6(c)(ii))	–	–	(156)	(161)	–	–	(317)
Surplus on revaluation	461	236	–	–	–	–	697
Less: Elimination of accumulated depreciation	–	(182)	–	–	–	–	(182)
At 31 December 2012	20,599	9,842	12,030	7,991	4,354	11,982	66,798
Representing:							
Cost	–	–	12,030	7,991	4,354	11,982	36,357
Valuation – 2012	20,599	9,842	–	–	–	–	30,441
	20,599	9,842	12,030	7,991	4,354	11,982	66,798
Accumulated depreciation and impairment loss							
At 1 January 2011	–	–	1,532	919	623	166	3,240
Effect of foreign currency exchange differences	–	(10)	(11)	(37)	(4)	–	(62)
Charge for the year	–	184	2,670	650	684	–	4,188
Elimination on revaluation	–	(174)	–	–	–	–	(174)
At 31 December 2011	–	–	4,191	1,532	1,303	166	7,192
At 31 December 2011 and 1 January 2012	–	–	4,191	1,532	1,303	166	7,192
Effect of foreign currency exchange differences	–	1	(3)	30	3	–	31
Charge for the year	–	181	2,623	842	779	–	4,425
Written back on disposals	–	–	(57)	(22)	(19)	(166)	(264)
Disposal of subsidiaries (note 34)	–	–	–	(41)	(56)	–	(97)
Derecognition (note 6(c)(ii))	–	–	(84)	(89)	–	–	(173)
Elimination on revaluation	–	(182)	–	–	–	–	(182)
At 31 December 2012	–	–	6,670	2,252	2,010	–	10,932
Carrying amounts							
At 31 December 2012	20,599	9,842	5,360	5,739	2,344	11,982	55,866
At 31 December 2011	19,490	7,247	5,162	2,828	2,926	5,891	43,544

15. Property, Plant and Equipment (Continued)

(b) The Company

	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
At 1 January 2011	–	–	–	–
Effect of foreign currency exchange differences	–	(2)	(4)	(6)
Additions	10	75	136	221
At 31 December 2011	10	73	132	215
At 1 January 2012	10	73	132	215
Effect of foreign currency exchange differences	–	(31)	–	(31)
Additions	–	3,465	–	3,465
Disposal	(10)	(73)	(132)	(215)
At 31 December 2012	–	3,434	–	3,434
Accumulated depreciation and impairment loss				
At 1 January 2011	–	–	–	–
Effect of foreign currency exchange differences	–	(1)	–	(1)
Charge for the year	5	30	12	47
At 31 December 2011	5	29	12	46
At 1 January 2012	5	29	12	46
Effect of foreign currency exchange differences	–	(1)	–	(1)
Charge for the year	–	173	6	179
Written back on disposal	(5)	(29)	(18)	(52)
At 31 December 2012	–	172	–	172
Carrying amount				
At 31 December 2012	–	3,262	–	3,262
At 31 December 2011	5	44	120	169

(c) The freehold land and buildings held by the Group for own use were revalued as at 31 December 2012 at their open market value by reference to recent market transactions for similar properties. The valuations were carried out by Roma Appraisals Limited, an independent firm of chartered surveyors with recent experience in the location and category of properties being valued.

The revaluation surplus of RMB580,000 (2011: deficit of RMB1,269,000) and surplus of RMB117,000 (2011: RMB391,000) have been recognised in other comprehensive income/(loss) and accumulated in properties revaluation reserve and loss for the year respectively.

15. Property, Plant and Equipment (Continued)

(c) (Continued)

Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been:

	The Group	
	2012	2011
	RMB'000	RMB'000
Freehold land	**20,455**	19,797
Buildings	**7,927**	4,668
	28,382	24,465

(d) The analysis of carrying amount of freehold land and buildings is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
In Taiwan		
Freehold land	**20,599**	19,490
Buildings	**7,550**	7,247
	28,149	26,737

(e) The analysis of carrying amount of prepaid lease payments and building thereon is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
In the PRC		
Leasehold land (note 16)	**3,917**	–
Buildings	**2,292**	–
	6,209	–

(f) During the year, additions to furniture, fixtures and office equipment of the Group financed by new finance lease were RMBNil (2011: RMBNil). As at 31 December 2012, the carrying amount of the furniture, fixtures and office equipment held under a finance lease is approximately RMBNil (2011: RMB14,000).

(g) The carrying amount of freehold land and buildings pledged as security for the Group's bank borrowings and other loans were approximately RMB17,525,000 (2011: RMB16,591,000) (note 26) and RMB3,648,000 (2011: RMB3,525,000) (note 27), respectively, as at 31 December 2012.

(h) During the year, one of the Group's freehold land was held under trust arrangement. As at 31 December 2012, the carrying amount of the freehold land held under the trust arrangement was approximately RMB3,648,000 (2011: RMB3,525,000).

16. Prepaid Lease Payments

	The Group	
	2012	2011
	RMB'000	RMB'000
The Group's prepaid lease payments comprise:		
Land in PRC:		
Medium-term lease	**3,917**	–
Analysed for reporting purposes as:		
Current assets	**82**	–
Non-current assets	**3,835**	–
	3,917	–

	2012	2011
	RMB'000	RMB'000
At 1 January	**–**	–
Additions	**3,931**	–
Amortisation charge for the year	**(14)**	–
At 31 December (note 15(e))	**3,917**	–

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of comprehensive income.

17. Intangible Assets

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trademark licence				
Cost:				
At 1 January	**19**	19	**5**	5
Additions	**–**	–	**–**	–
At 31 December	**19**	19	**5**	5
Accumulated amortisation:				
At 1 January	**17**	15	**3**	2
Charge for the year	**–**	2	**–**	1
At 31 December	**17**	17	**3**	3
Carrying amounts:				
At 31 December	**2**	2	**2**	2

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of comprehensive income. The trademark licence have finite useful lives ranging from five to ten years and are amortised on a straight-line basis over the estimated useful lives.

18. Financial Assets Designated as at Fair Value Through Profit or Loss

	The Group	
	2012	2011
	RMB'000	RMB'000
Mutual funds/unit trusts at fair value		
Established outside Hong Kong	**42,603**	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 consolidated statement of cash flows. The Group has obtained an investment gain of approximately RMB1,629,000 for the year ended 31 December 2012 (2011: suffered a loss of approximately RMB1,626,000). Changes in fair values of the above financial assets are recorded in "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.

19. Development and Formation Costs

	The Group	
	2012	2011
	RMB'000	RMB'000
Development and formation costs		
– cemetery	**5,164**	–

The development and formation costs represent development costs incurred for a cemetery site which will be completed for sale and are stated at the lower of cost and net realisable value.

Included in the balance is acquisition cost of land of approximately RMB5,164,000 as at 31 December 2012 (2011: RMBNil) which the Group has obtained the land use rights certificate on 11 January 2013.

As at 31 December 2012, the development and formation costs of approximately RMB5,164,000 are expected to be recovered within one year.

20. Inventories

	The Group	
	2012	2011
	RMB'000	RMB'000
Merchandises for resale	**996**	9,072

The carrying amount of inventories sold recognised as expense and included in "cost of sales" amounted to RMB8,692,000 in 2012 (2011: RMB20,486,000).

21. Trade and Other Receivables

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note (c))	**70**	3,682	**–**	–
Less: allowance for impairment loss	**–**	–	**–**	–
	70	3,682	**–**	–
Bills receivable	**–**	1,500	**–**	–
Other receivables (note (d))	**3,337**	11,559	**–**	17
Less: allowance for impairment loss (note (e))	**(930)**	(170)	**–**	–
	2,407	11,389	**–**	17
Amounts due from subsidiaries (note 40)	**–**	–	**128,124**	117,537
Loans and receivables	**2,477**	16,571	**128,124**	117,554
Deposits and prepayments (note (f))	**56,932**	63,207	**825**	3,786
	59,409	79,778	**128,949**	121,340
Representing:				
Current	**55,709**	72,528	**128,949**	121,340
Non-current	**3,700**	7,250	**–**	–
	59,409	79,778	**128,949**	121,340

Notes:

(a) All of the loans and receivables are expected to be recovered within one year and prepayments are expected to be recognised as expense within one year. Deposits expected to be recovered after more than one year is RMB3,700,000 (2011: RMB7,250,000).

(b) The carrying amounts of trade and other receivables approximate to their fair values.

(c) Trade receivables are net of allowance for doubtful debts 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:

	2012	2011
	RMB'000	RMB'000
0 to 180 days	**70**	2,667
181 days to 365 days	**–**	–
Over 1 year	**–**	1,015
	70	3,682

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

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

Management believes that no impairment allowance is necessary as the balances are fully recovered subsequent to the year end date. The Group does not hold any collateral over these balances.

(d) Included in the balance are amounts receivable from a funeral service sub-contractor and the owner of a funeral service centre of approximately RMB814,000 (2011: RMB1,079,000) and RMBNil (2011: RMB5,035,000) respectively. These amounts represent the receipts from the customers for the funeral services by the sub-contractor and the owner of a funeral service centre on behalf of the Group. The other receivables are unsecured, interest free and repayable on demand.

Other receivables that were neither past due nor impaired relate to a wide range of debtors for whom there was no recent history of default. Management believes that no impairment allowance is necessary in respect of the non-impaired balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. Trade and Other Receivables (Continued)

Notes: (Continued)

(e) Impairment of other receivables

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly.

Movements in the allowance for impairment loss

	2012 RMB'000	2011 RMB'000
At 1 January	170	–
Impairment loss recognised	760	170
At 31 December	930	170

As at 31 December 2012, other receivables of the Group amounting to RMB930,000 (2011: RMB170,000) was individually determined to be impaired. The individually impaired receivables were due from debtors with financial difficulties. Accordingly, an impairment loss of RMB760,000 (2011: RMB170,000) was recognised during the year.

(f) Included in deposits and prepayments are deposits paid for funeral parlours and funeral services centres, prepaid hire charge of funeral parlours and funeral services centres and prepaid agency commission for funeral services deeds of approximately RMB3,700,000 (2011: RMB7,250,000), RMB12,798,000 (2011: RMB11,195,000) and RMB32,954,000 (2011: RMB34,445,000) respectively.

(g) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2012 RMB'000	2011 RMB'000
Neither past due nor impaired	40	2,667
Past due but not impaired		
Less than 1 month past due	18	–
1 to 3 months past due	12	–
Over 3 months past due	–	1,015
	30	1,015
	70	3,682

Receivables that were neither past due nor impaired relate to various customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are fully recovered subsequent to the year end date.

22. Pledged bank deposits

The amounts are pledged to secure the Company's banking facilities (see note 26). The pledged bank deposits carry fixed interest rate at 0.28% (2011: Nil) per annum for the year ended 31 December 2012.

23. Cash and Cash Equivalents

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**159,729**	194,171	**45,549**	97,926
Cash and cash equivalents in the statement of financial position and statement of cash flows	**159,729**	194,171	**45,549**	97,926

The interest rates on the cash at bank ranged from 0.01% to 2% (2011: 0.01% to 0.50%) per annum.

At 31 December 2012, cash at bank and in hand of the Group of approximately RMB3,531,000 (2011: RMB1,481,000) were denominated in RMB and placed with banks in the PRC. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The carrying amounts of the Group's and the Company's cash at bank and on hand are denominated in the following currencies:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**15,308**	40,650	**286**	35,800
HK$	**801**	928	**66**	467
RMB	**48,876**	63,353	**45,197**	61,659
NTD	**94,330**	89,232	**–**	–
EUR	**8**	8	**–**	–
VND	**406**	–	**–**	–
	159,729	194,171	**45,549**	97,926

24. Trade and Other Payables

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note (c))	**1,660**	8,189	**–**	–
Accruals and other payables	**7,850**	6,665	**1,601**	1,750
Amounts due to subsidiaries (note 40)	**–**	–	**7,841**	4,817
Financial liabilities measured at amortised cost	**9,510**	14,854	**9,442**	6,567
Derivative financial liabilities	**87**	–	**87**	–
	9,597	14,854	**9,529**	6,567

Notes:

(a) All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(b) The carrying amounts of trade and other payables approximate to their fair values.

(c) 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:

	2012	2011
	RMB'000	RMB'000
0 to 30 days	**998**	2,903
31 days to 90 days	**203**	1,814
Over 90 days	**459**	3,472
	1,660	8,189

The average credit period of purchases is 30 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit period.

25. Receipts in Advance

Bau Shan and Sino-Life (Hong Kong) Limited ("Sino-Life (HK)"), 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 120 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-day's 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 service 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. As at 31 December 2012, the Group has deposited approximately RMB41,466,000 (2011: RMB40,710,000) in those three financial institutions in Taiwan.

25. Receipts in Advance (Continued)

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. The Group recognised a net gain on termination/lapse of funeral services deeds of approximately RMB558,000 (2011: RMB707,000) in "other net gain/(loss)" in the consolidated statement of comprehensive income for the year.

26. Bank Borrowings

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings, secured				
Current liabilities				
– Portion of term loan from bank due for repayment within 1 year	**626**	594	**–**	–
– Short term bank loan which contain a repayment on demand clause	**10,073**	–	**10,073**	–
	10,699	594	**10,073**	–
Non-current liabilities				
– Portion of term loan from bank due for repayment after 1 year	**9,448**	9,750	**–**	–
Total	**20,147**	10,344	**10,073**	–

At 31 December 2012, the Group's bank borrowings were due for repayment, which are based on the scheduled repayment dates as stipulated in the respective loan agreements as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
With 1 year or on demand	**10,699**	594	**10,073**	–
After 1 year but within 2 years	**638**	606	**–**	–
After 2 years but within 5 years	**1,988**	1,888	**–**	–
After 5 years	**6,822**	7,256	**–**	–
	9,448	9,750	**–**	–
	20,147	10,344	**10,073**	–

26. Bank Borrowings (Continued)

All of the banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's and the Company's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group and the Company has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group and the Company continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 32(b). As at 31 December 2012 none of the covenants relating to drawn down facilities had been breached (2011: nil)

None of the bank borrowings due for repayment after one year contain a repayment on demand clause and hence these balances are not expected to be settled within one year and are classified as a non-current liability.

At 31 December 2012, the banking facilities of the Group are secured by bank deposits amounting to RMB17,869,000 (2011:RMBNil) (see note 22). Such banking facilities amounting to RMB62,537,000 (equivalent to US$10,000,000) (2011:RMBNil) were utilised to the extent of RMB10,073,000 at 31 December 2012 (2011: RMBNil). The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

As 31 December 2012, the Group has the following undrawn bank borrowing facilities:

	2012 **RMB'000**	2011 RMB'000
Fixed-rate	**52,464**	–

All of the interest-bearing borrowings are carried at amortised cost.

The carrying amounts of the Group's and the Company's bank borrowings are denominated in the following currencies:

	The Group		**The Company**	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
US$	**10,073**	–	**10,073**	–
NTD	**10,074**	10,344	**–**	–
	20,147	10,344	**10,073**	–

As at 31 December 2012 and 2011, the effective interest rates of the bank borrowings were as follows:

	The Group		**The Company**	
	2012	2011	**2012**	2011
Variable rate	**1.90%**	1.72%	**–**	–
Fixed-rate	**0.96%**	–	**0.96%**	–

Bank borrowings of RMB10,074,000 (2011: RMB10,344,000) were secured by the freehold land and buildings of the Group amounting to RMB17,525,000 (2011: RMB16,591,000) (note 15(g)).

Bank borrowings of RMB10,073,000 (2011: RMBNil) were secured by the pledged bank deposit of the Company amounting to RMB17,869,000 (2011: RMBNil) (note 22).

27. Other Loan

	The Group 2012 RMB'000	2011 RMB'000
Other loan		
– secured	**325**	507

At 31 December 2012, the Group's other loans were repayable as follows:

	2012 RMB'000	2011 RMB'000
Within 1 year or on demand	**213**	194
After 1 year but within 2 years	**112**	207
After 2 years but within 5 years	**–**	106
After 5 years	**–**	–
	325	507
Less: Amounts due within one year shown under current liabilities	**(213)**	(194)
	112	313

All of the interest-bearing borrowings are carried at amortised cost. None of the other loan due for repayment after one year contain a repayment on demand clause and hence the balance is not expected to be settled within one year and is classified as a non-current liability. All of the other loan was denominated in NTD.

Notes:

(a) The other loan was granted from 王陳鳳環, who is an independent third party. The other loan is repayable by monthly instalments.

(b) As at 31 December 2012, the other loan of approximately RMB325,000 (2011: RMB507,000) was secured by the freehold land of the Group of approximately RMB3,648,000 (2011: RMB3,525,000) (note 15(g)), with interest charged at a rate of 6.96% for year 2011 and 2012 and with maturity date of 21 June 2014.

28. Obligation Under Finance Lease

At 31 December 2012, the Group had obligation under finance lease repayable as follows:

	2012 Present value of the minimum lease payments RMB'000	2012 Total minimum lease payments RMB'000	2011 Present value of the minimum lease payments RMB'000	2011 Total minimum lease payments RMB'000
Within 1 year	**–**	**–**	9	10
After 1 year but within 5 years	**–**	**–**	–	–
	–	**–**	9	10
Less: total future interest expenses		**–**		(1)
Present value of lease obligation		**–**		9

It is the Group's policy to lease certain of its office equipment under finance lease. The above lease term is 2 years. The finance lease is arranged at floating rates and expose the Group to cash flow interest rate risk. The borrowing rate was 7.83% per annum as at 31 December 2011. Leases is on a fixed repayment basis and no arrangement have been entered into for contingent rental payments.

The finance lease payable is secured by the lessor's title to the leased assets.

29. Income Tax in the Consolidated Statement of Financial Position

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2012	2011
	RMB'000	RMB'000
At 1 January	**753**	1,770
Provision for the year		
– PRC Enterprise Income Tax	**1,224**	1,105
– Taiwan Enterprise Income Tax	**–**	664
	1,224	1,769
Income tax paid during the year	**(1,457)**	(2,826)
Exchange adjustments	**(14)**	40
At 31 December	**506**	753
Representing:		
Tax recoverable	**(440)**	(393)
Tax payable	**946**	1,146
	506	753

(b) **Deferred tax**

Under the Enterprise Income Tax Law of PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate up to 10% on various types of passive income such as dividends derived from sources in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% is applied. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. Deferred taxation of approximately RMB523,000 (2011: RMB243,000) has not been provided for in the consolidated financial statements in respect of the temporary differences of RMB10,451,000 (2011: RMB4,855,000) attributable to the undistributed retained profits earned by the subsidiaries, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the year end date, the Group has unused tax losses of RMB2,040,000 (2011: RMB17,001,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

No provision for deferred taxation has been made as the effect of all temporary differences is immaterial.

30. Share Capital

	Note	No. of shares	Amount RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2011, 31 December 2011 and 31 December 2012		10,000,000,000	881,541
Ordinary shares, issued and fully paid:			
At 1 January 2011, 31 December 2011 and 31 December 2012		742,500,000	69,218

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

31. Reserves

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium RMB'000	Foreign currency translation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	220,633	(5,238)	4,204	(13,216)	206,383
Loss for the year	–	–	–	(8,805)	(8,805)
Exchange differences arising on translation	–	(20,726)	–	–	(20,726)
Total other comprehensive loss	–	(20,726)	–	(8,805)	(29,531)
Equity-settled share-based transactions	–	–	2,144	–	2,144
Lapse of share options granted	–	–	(9)	9	–
At 31 December 2011	220,633	(25,964)	6,339	(22,012)	178,996
At 1 January 2012	220,633	(25,964)	6,339	(22,012)	178,996
Loss for the year	–	–	–	(53,052)	(53,052)
Exchange differences arising on translation	–	(1,149)	–	–	(1,149)
Total other comprehensive loss	–	(1,149)	–	(53,052)	(54,201)
Equity-settled share-based transactions	–	–	1,466	–	1,466
Lapse of share options granted	–	–	(85)	85	–
At 31 December 2012	220,633	(27,113)	7,720	(74,979)	126,261

31. Reserves (Continued)

(b) Nature and purpose of reserves

(i) *Share premium*

The share premium represents the difference between the nominal amount of share capital and amounts received on issue of shares.

Under the Companies Law (2004 Revision) of the Cayman Islands, the funds in the share premium of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Merger reserve*

Merger reserve arose from the business combination under common control in relation to the acquisition of Bau Shan during the group reorganisation in 2007. The merger reserve of the Group represents the difference between aggregate net asset value of Bau Shan acquired and the consideration paid for the acquisition of Bau Shan pursuant to the group reorganisation.

(iii) *Statutory reserve*

According to the applicable laws and regulations in Taiwan, the Group's Taiwan subsidiaries are required to transfer 10% of their net profits after taxation, as determined under the relevant accounting principles and financial regulations applicable to companies established in Taiwan, to a non-distributable reserve fund until the reserve balance reaches the registered capital of the respective enterprises. The transfer to this reserve must be made before the distribution of a dividend to owners but after offset the previous years' losses, if any. During the year, no profits after taxation has been transferred to this reserve as the Group's Taiwan subsidiaries have no profit available for transfer after offset their previous years' losses.

(iv) *Statutory surplus reserve*

According to the relevant laws in the PRC, the Company's PRC subsidiaries are required to transfer at least 10% of the profit after taxation, as determined under the relevant accounting principles and financial regulations applicable to companies established in the PRC, to a non-distributable reserve fund until the reserve balance reaches 50% of the registered capital of the respective enterprises. The transfer to this reserve must be made before the distribution of dividends to owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any, expand the existing operations or convert into additional capital of the subsidiaries. The non-distributable reserve fund is non-distributable other than upon liquidation.

(v) *Properties revaluation reserve*

The properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for freehold land and buildings in note 2(e) and is not distributable.

(vi) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of non-PRC operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(r).

(vii) *Share-based compensation reserve*

The share-based compensation reserve comprises the fair value of the actual or estimated number of unexercised share options granted to eligible participates of the Group recognised in accordance with accounting policy adopted for share-based payments in note 2(n).

31. Reserves (Continued)

(c) Distributable reserves

As at 31 December 2012, the aggregate amount of reserves available for distribution to owners of the Company was approximately RMB145,654,000 (2011: RMB198,621,000).

(d) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at 31 December 2012 and 2011 were as follows:

	2012 **RMB'000**	2011 RMB'000
Total liabilities	**135,701**	135,270
Total assets	**345,995**	372,162
Gearing ratio	**39.22%**	36.35%

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32. Financial Risk Management and Fair Values

The Group's major financial instruments include financial assets as at FVTPL, borrowings, trade and other receivables, trade and other payables and cash and cash equivalents. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and an effective manner.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(i) In respect of trade and other receivables, the credit risk is relatively low as the receivable for each individual customer of funeral services segments is immaterial and the Group generally offer credit period of 45 days to customers of funeral services segments. The Group does not obtain collateral in respect of its financial assets.

(ii) In respect of trade and other receivables of trading of raw marble segment, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 180 days from the date of billing.

32. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

(iii) In respect of trade and other receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. At the end of the reporting period, the Group had certain concentrations of credit risk as for 33% (2011: 7%) and nil (2011: 30%) of the total loans and receivables are due from a funeral services sub-contractor and an owner of funeral service centre respectively.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each subsidiary as 100% (2011:100%) of the loans and receivables at the end of the reporting period are due from the subsidiaries.

(iv) The majority of the Group's investments are financial assets designated as at FVTPL which include mutual funds and unit trusts established in Taiwan. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

(v) The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on its liquid funds as a significant source of liquidity.

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay. i.e. if the lenders were to invoke their unconditional rights to call the borrowings with immediate effect, the maturity analysis for other bank borrowings and other loan is prepared based on the scheduled repayment dates.

32. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

The Group

	2012					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
Trade payables	1,660	–	–	–	1,660	1,660
Accruals and other payables	7,850	–	–	–	7,850	7,850
Bank borrowings	10,884	811	2,434	7,438	21,567	20,147
Other loan	229	115	–	–	344	325
	20,623	926	2,434	7,438	31,421	29,982
Derivative financial liabilities – gross settlement						
Foreign exchange forward contracts						
– Inflow	(22,914)	–	–	–	(22,914)	(22,914)
– Outflow	23,001	–	–	–	23,001	23,001
	87	–	–	–	87	87

	2011					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
Trade payables	8,189	–	–	–	8,189	8,189
Accruals and other payables	6,665	–	–	–	6,665	6,665
Bank borrowings	785	785	2,356	7,984	11,910	10,344
Other loan	222	222	107	–	551	507
Obligation under finance lease	10	–	–	–	10	9
	15,871	1,007	2,463	7,984	27,325	25,714

32. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

The Company

	2012					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
Accruals and other payables	1,601	–	–	–	1,601	1,601
Amounts due to subsidiaries	7,841	–	–	–	7,841	7,841
Bank borrowing	10,073	–	–	–	10,073	10,073
	19,515	–	–	–	19,515	19,515
Derivative financial liabilities – gross settlement						
Foreign exchange forward contracts						
– Inflow	(22,914)	–	–	–	(22,914)	(22,914)
– Outflow	23,001	–	–	–	23,001	23,001
	87	–	–	–	87	87

	2011					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
Accruals and other payables	1,750	–	–	–	1,750	1,750
Amounts due to subsidiaries	4,817	–	–	–	4,817	4,817
	6,567	–	–	–	6,567	6,567

The table that follows summarises the maturity analysis of bank borrowing with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account of the Group's and the Company's financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

32. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)
Maturity Analysis – Term Loan subject to a repayment on demand clause based on scheduled repayments

The Group and the Company

	On demand RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
31 December 2012	–	10,077	–	–	–	10,077	10,073
31 December 2011	–	–	–	–	–	–	–

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Interest rate risk
The Group is exposed to cash flow interest rate risk and fair value interest rate risk in relation to borrowings issued at variable rates and fixed rates respectively. The Group did not use derivative financial instruments to hedge its debt obligations. It is the Group's policy to maximise its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk and fair value interest rate risk is arising from the fluctuation of lending rates for the Group's NTD borrowings and the fixed lending rate for the Group's US$ borrowings, respectively.

(i) The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period.

		The Group			
		2012		2011	
	Note	**RMB'000**	**Effective interest rate (%)**	RMB'000	Effective interest rate (%)
Fixed rate borrowings					
Bank borrowings	26	**10,073**	**0.96%**	–	–
Variable rate borrowings					
Bank borrowings	26	**10,074**	**1.90%**	10,344	1.72%
Other loan	27	**325**	**6.96%**	507	6.96%
Obligation under finance lease	28	**–**	**–**	9	7.83%
		10,399		10,860	
Total borrowings		**20,472**		10,860	
Fixed rate borrowings as a percentage of total borrowings		**49%**		Nil	

32. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk (Continued)

(i) (Continued)

		The Company			
		2012		2011	
	Note	**RMB'000**	**Effective interest rate (%)**	RMB'000	Effective interest rate (%)
Variable rate borrowings		**–**	**–**	–	–
Fixed rate borrowings					
Bank borrowings	26	**10,073**	**0.96%**	–	–
Fixed rate borrowings as a percentage of total borrowings		**100%**		Nil	

(ii) *Sensitivity analysis*

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank borrowings, with all other variables held constant, would increase/decrease the Group's loss after tax and increase/decrease the accumulated losses by approximately RMB86,000 (2011: RMB90,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analyses above have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2011: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2011.

(d) Currency risk

The Group currently does not have a foreign currency hedging policy. However, the management monitors the Group's foreign currency exposures and will consider hedging significant foreign currency exposures should the need arises.

(i) *Exposure to currency risk*

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables and payables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB.

32. Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

The Group

	Exposure to foreign currencies (expressed in RMB)											
	2012							2011				
	GBP '000	VND '000	US$ '000	NTD '000	EUR '000	RMB '000	HK$ '000	US$ '000	NTD '000	EUR '000	RMB '000	HK$ '000
Financial assets designated as at FVTPL	–	–	2	–	–	–	–	–	–	–	–	–
Pledged bank deposits	12,164	–	–	–	–	5,327	113	–	–	–	–	–
Cash and cash equivalents	–	406	9,689	–	8	45,198	150	4,518	–	8	61,659	573
Trade and other receivables	–	31	–	–	–	–	–	1,015	–	–	–	–
Trade and other payables	–	(80)	(15)	–	–	–	(1,549)	(5,678)	–	–	–	(1,750)
Net exposure arising from recognised assets and liabilities	12,164	357	9,676	–	8	50,525	(1,286)	(145)	–	8	61,659	(1,177)

The Company

	Exposure to foreign currencies (expressed in RMB)						
	2012				2011		
	GBP '000	NTD '000	RMB '000	HK$ '000	NTD '000	RMB '000	HK$ '000
Amounts due from subsidiaries	–	70,026	4,209	46,030	56,359	–	61,178
Pledged bank deposits	12,164	–	5,327	113	–	–	–
Cash and cash equivalents	–	–	45,197	66	–	61,659	467
Amounts due to subsidiaries	–	(2,596)	(2,283)	–	(2,613)	(2,204)	–
Other payables	–	–	–	(1,549)	–	–	(1,750)
Net exposure arising from recognised assets and liabilities	12,164	67,430	52,450	44,660	53,746	59,455	59,895

32. Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

The Group

	2012			2011		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after taxation RMB'000**	**Effect on accumulated loss RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation RMB'000	Effect on accumulated loss RMB'000
US$	**0.6%**	**44**	**44**	4.3%	(6)	(6)
	(0.6%)	**(44)**	**(44)**	(4.3%)	6	6
RMB	**0.6%**	**(324)**	**(324)**	4.3%	2,636	2,636
	(0.6%)	**324**	**324**	(4.3%)	(2,636)	(2,636)
HK$	**0.8%**	**–**	**–**	7.9%	(93)	(93)
	(0.8%)	**–**	**–**	(7.9%)	93	93
GBP	**3.8%**	**(463)**	**(463)**	3.7%	–	–
	(3.8%)	**463**	**463**	(3.7%)	–	–
NTD	**3.3%**	**–**	**–**	8.1%	–	–
	(3.3%)	**–**	**–**	(8.1%)	–	–

The Company

	2012			2011		
	Increase/ (decrease) in foreign exchange rates	**Decrease/ (increase) in loss after taxation RMB'000**	**Effect on accumulated loss RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation RMB'000	Effect on accumulated loss RMB'000
RMB	**0.6%**	**(335)**	**(335)**	4.3%	(2,542)	(2,542)
	(0.6%)	**335**	**335**	(4.3%)	2,542	2,542
GBP	**3.8%**	**463**	**463**	3.7%	–	–
	(3.8%)	**(463)**	**(463)**	(3.7%)	–	–
NTD	**3.3%**	**2,240**	**2,240**	8.1%	4,352	4,352
	(3.3%)	**(2,240)**	**(2,240)**	(8.1%)	(4,352)	(4,352)

32. Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure these financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2011.

(e) Equity price risk

The Group is exposed to equity price changes arising from financial assets designated as at FVTPL.

The Group's mutual funds and unit trusts are established in Taiwan, which consist of local and foreign currencies bank deposits, bonds and equity securities listed in Taiwan and other foreign stock markets.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10.74% (2011: 21.64%) lower/higher, loss for the year would increase by RMB4,067,000 (2011: RMB7,817,000) for the Group as a result of the changes in fair value of financial assets designated as at FVTPL.

(f) Fair values measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32. Financial Risk Management and Fair Values (Continued)

(f) Fair values measurements recognised in the consolidated statement of financial position (Continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The Group

	2012				2011			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset								
Financial assets designated as at FVTPL	**42,603**	**–**	**–**	**42,603**	38,971	–	–	38,971
Liabilities								
Derivative financial liabilities	**–**	**(87)**	**–**	**(87)**	–	–	–	–

The Company

	2012				2011			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities								
Derivative financial liabilities	**–**	**(87)**	**–**	**(87)**	–	–	–	–

During the year ended 31 December 2012 and 2011, there were no transfer between instruments in Level 1 and Level 2.

(g) Estimation of fair values

The following summarises the major methods and assumptions applied in determining the fair values of the following financial instruments.

(i) *Financial assets designated as at FVTPL*

Fair value for financial assets designated as at FVTPL is based on the current bid price in an active market.

(ii) *Interest-bearing borrowings and loans*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) *Liquid or/and short-term assets and liabilities*

For financial assets and financial liabilities that are liquid or having a short term maturity, it is assumed that the carrying amounts approximate their fair values. The assumption is applied to trade and other receivables, trade and other payables, cash and cash equivalents without a specific maturity.

33. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2012

Acquisition of 80% of equity interests of HLV Duc Hoa

As the Group is exploring the funeral related business, on 6 December 2012, Bao Son Life, an indirect 80% owned subsidiary of the Company, and an independent third party (the "Vendor") signed a contract for the sale and purchase of shares (the "Contract"), pursuant to which the Vendor agreed to sell and Bao Son Life agreed to purchase the total of 4,000,000 shares of HLV Duc Hoa (the "Sale Shares"), which represents 80% of the authorised capital of HLV Duc Hoa. Pursuant to the Contract, Bao Son Life agrees to make a payment of VND40,000,000,000 (equivalent to approximately RMB12,000,000) to the Vendor by way of capital contribution in order to enable the Vendor to pay up for the Sale Shares and the Vendor has undertaken to Bao Son Life that the Vendor shall transfer all the Sales Shares owned by the Vendor in HLV Duc Hoa to Bao Son Life six months after Bao Son Life make the payment. The Vendor further undertake that except Bao Son Life, the Vendor shall not transfer any of the Sale Shares or profit or benefits or rights of HLV Duc Hoa to any third party.

Pursuant to the Contract, Bao Son Life has the right to appoint all the directors who are representative of the Vendor as the members of the board of directors of HLV Duc Hoa and the key management staff and all managerial personnels for managing the daily operation and controlling the financial and operating policies of HLV Duc Hoa.

HLV Duc Hoa is a company with limited liability established in Vietnam on 22 June 2012 with the authorised capital of VND50,000,000,000 (equivalent to approximately RMB14,900,000) divided into 5,000,000 shares of VND10,000 each. HLV Duc Hoa has obtained the land use right in a land located in Long An Province, Vietnam, which is formally designated for use as cemetery by the Vietnamese government, at a cost of VND17,200,000,000 (equivalent to approximately RMB5,100,000) through an auction held on 3 December 2012. HLV Duc Hoa made use of the contribution from the Vendor which was sourced from Bao Son Life to acquire the land and obtained the land use rights certificate on 11 January 2013.

The directors of the Group consider the acquisition date is 7 December 2012 after Bao Son Life paid an accumulated amount of approximately US$981,000 (equivalent to approximately RMB6,158,000 or VND20,429,250,000) to HLV Duc Hoa through the Vendor as capital of HLV Duc Hoa.

Prior to the acquisition date of 7 December 2012, HLV Duc Hoa has not yet commenced any business and did not have any assets or liabilities. For the period from 7 December 2012 to 31 December 2012, HLV Duc Hoa contributed revenue and loss of approximately RMBNil and RMB678,000 respectively to the revenue and loss of the Group for the year ended 31 December 2012.

33. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2011

Acquisition of 55% of equity interests of Jing Run Limited ("Jing Run")

As the Group is exploring the funeral related business, on 1 April 2011, the Company acquired 55% of equity interest of Jing Run by subscription of 550,000 shares of Jing Run of US$1.00 each at a consideration of US$550,000 (equivalent to approximately RMB3,605,000). Jing Run, together with its wholly owned subsidiaries, Full Famous Development Limited ("Full Famous") and Chongqing Full Famous Stone Material Co., Ltd. ("Chongqing Full Famous")（重慶豐譽石材有限責任公司）(the "Jing Run Group"), were mainly engaged in the trading of raw marble used for the construction of building and gravestone.

For the nine months ended 31 December 2011, Jing Run Group contributed revenue and profit of approximately RMB14,295,000 and RMB1,016,000 respectively to the revenue and loss of the Group.

Had the acquisition occurred on 1 January 2011, the revenue and loss of the Group for the year ended 31 December 2011 would have been approximately RMB73,026,000 and RMB23,509,000 respectively. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

	Amount recognised (at fair values) RMB'000
Property, plant and equipment (note 15(a))	290
Trade and other receivables (note (a))	2,600
Cash and cash equivalents	6,391
Trade and other payables	(2,745)
Total identifiable net assets	6,536
Less: Non-controlling interests (note (b))	(2,931)
Consideration, satisfied in cash	3,605
Cash and cash equivalents balances acquired	6,391
Net cash inflow	2,786

Notes:

(a) The acquired receivables (which principally comprised trade receivables) with a fair value of RMB2,600,000 had gross contractual amounts of RMB2,600,000. The best estimate at acquisition date of contractual cash flows not expected to be collected is RMBNil.

(b) The non-controlling interests in Jing Run recognised at the acquisition date was measured by reference to proportionate share of the identifiable net assets acquired.

34. Disposal of Subsidiaries

Disposal of 100% equity interests in Full Famous

On 31 March 2012, Jing Run 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, were mainly engaged in the trading of raw marble used for the construction of building and gravestone.

Consideration received

	2012 RMB'000
Total consideration received in cash and cash equivalents	4,061

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

Analysis of assets and liabilities over which control was lost

	At 31 March 2012 RMB'000
Non-current assets	
Property, plant and equipment (note 15(a))	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

34. Disposal of Subsidiaries (Continued)

	2012 RMB'000
Gain on disposal of subsidiaries	
Consideration received	**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 loss of control of subsidiaries	**76**
Gain on disposal (note 5)	**734**

	2012 RMB'000
Net cash inflow on disposal of subsidiaries	
Cash and cash equivalents disposed of	**(142)**
Consideration received in cash and cash equivalents	**4,061**
Net cash received	**3,919**

35. Material Related Party Transactions

In addition to information disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with its related parties during the year:

(a) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9 is as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other short-term employee benefits	**7,511**	3,822
Post-employment benefits	**23**	10
Equity compensation benefits	**286**	83
	7,820	3,915

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Transaction with other related parties

There are no material transactions with other related parties during the year ended 31 December 2012 (2011: Nil).

36. Operating Lease Commitments

(a) The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which are fall due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**14,387**	15,082
In the second to fifth year, inclusive	**67,048**	70,500
After five years	**99,450**	117,723
	180,885	203,305

Operating lease payments represent rentals payable by the Group for certain of its sales offices and hire of funeral parlours and funeral services centres. Leases are negotiated for an average term of 2 to 20 years (2011: 2 to 20 years) and certain lease include contingent rentals which are based on certain percentage of sales and the PRC consumer price index respectively.

(b) The Group as lessor

At the end of the reporting period, the Group had contracted with tenants in respect of part of its office and plant and equipment for the following future minimum lease payments:

	2012 RMB'000	2011 RMB'000
Within one year	**12**	8

None of the lease includes contingent rentals.

(c) The Company had no significant operating lease commitments as at 31 December 2012 and 2011.

37. Capital Commitments

Capital commitments outstanding at 31 December 2012 not provided for in the financial statements are as follows:

	2012 RMB'000	2011 RMB'000
Capital expenditure contracted but not provided for:		
– Acquisition of property, plant and equipment	**8,567**	551
– Investment in a joint venture	**6,500**	6,500
	15,067	7,051

38. Pledge of Assets

As at 31 December 2012, bank borrowings and other loan of the Group were secured by freehold land, buildings and pledged bank deposits with an aggregate carrying amount of RMB15,128,000 (2011: RMB14,309,000), RMB6,045,000 (2011: RMB5,807,000) and RMB17,869,000 (2011: RMB Nil) respectively.

39. Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities at 31 December 2012 and 2011.

40. Investments in Subsidiaries

	The Company 2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**19,450**	35,344
Amounts due from subsidiaries (note 21)	**128,124**	117,537
Amounts due to subsidiaries (note 24)	**(7,841)**	(4,817)

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

Details of the Company's subsidiaries, which are private companies or, if established/incorporated outside Hong Kong, have substantially the same characteristic as a Hong Kong private company, as at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share or registered capital		Attributable equity interest		Principal activities/ place of operation
		2012	2011	**2012**	2011	
Directly held						
Bau Shan (note (i))	Taiwan 29 December 1998	Ordinary NTD165,240,000	Ordinary NTD165,240,000	**100%**	100%	Provision of funeral services, sale of funeral services deeds and investment holding/Taiwan
Full Spread (China) Limited (note (ii))	Hong Kong 5 October 2007	Ordinary HK$1	Ordinary HK$1	**100%**	100%	Investment holding/ Hong Kong
Allied Smart Development Limited (note (ii))	Hong Kong 1 April 2011	Ordinary HK$1	Ordinary HK$1	**100%**	100%	Investment holding/ Hong Kong
Sino-Life (Hong Kong) Limited (note (ii))	Hong Kong 9 October 2011	Ordinary HK$1	Ordinary HK$1	**100%**	100%	Provision of funeral services/ Hong Kong
Dayrise Enterprises Limited (note (ii))	BVI 13 September 2011	Ordinary US$1	Ordinary US$1	**100%**	100%	Investment holding/BVI
Jing Run (note (ii))	BVI 12 February 2011	Ordinary US$1,000,000	Ordinary US$1,000,000	**55%**	55%	Trading of raw marble and investment holding/Taiwan
Skyward Fountain Enterprise Limited (note (ii))	Hong Kong 19 October 2012	Ordinary HK$1	Ordinary HK$1	**100%**	100%	Not yet commenced business/ Hong Kong
Timeless Surplus (Hong Kong) Limited (note (ii))	Hong Kong 17 April 2012	Ordinary HK$1	–	**100%**	–	Motor vehicle holding/Hong Kong

40. Investments in Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share or registered capital		Attributable equity interest		Principal activities/ place of operation
		2012	2011	**2012**	2011	
Indirectly held						
Bau De (note (ii))	Taiwan 6 November 2000	Ordinary NTD108,000,000	Ordinary NTD108,000,000	**83.33%**	83.33%	Sub-contracting of funeral services/Taiwan
Xibao Technology (note (i))	The PRC 19 March 2007	Registered capital US$8,000,000	Registered capital US$8,000,000	**100%**	100%	Consultation of funeral services and investment holding/The PRC
Xizhou (note (ii))	The PRC 25 October 2006	Registered capital RMB300,000	Registered capital RMB300,000	**100%**	100%	Consultation of funeral services/The PRC
Sino-Life Eternities Limited (note (iii))	BVI 15 April 2011	Ordinary US$10,000	Ordinary US$10,000	**78.75%**	73.75%	Investment holding/BVI
Sino-Life Eternities Services Limited (note (iii))	Hong Kong 20 April 2011	Ordinary HK$1	Ordinary HK$1	**78.75%**	73.75%	Not yet commenced business/ Hong Kong
Jinhao Enterprises Limited (note (ii))	BVI 13 September 2011	Ordinary US$1	Ordinary US$1	**100%**	100%	Investment holding/BVI
Sino-Departures Limited (note (ii))	Hong Kong 5 December 2011	Ordinary HK$5	Ordinary HK$5	**60%**	60%	Not yet commenced business/ Hong Kong
Full Famous (note (ii))	Hong Kong 22 April 2011	–	Ordinary HK$1	**–**	55%	Investment holding/ Hong Kong
Chongqing Full Famous (note (i))	The PRC 2 August 2011	–	Registered capital RMB5,500,000	**–**	55%	Trading of raw marble/The PRC
Bao Son Life (note (ii))	Vietnam 20 June 2012	Paid up capital US$200,000	–	**80%**	–	Investment holding/Vietnam
HLV Duc Hoa (note (iv))	Vietnam 22 June 2012	Paid up capital VND20,429,250,000	–	**–**	–	Not yet commenced business/ Vietnam
Beijing Xizhou Baushan Technology Company Limited (note (i))	The PRC 8 October 2012	Registered capital US$1,000,000	–	**100%**	–	Not yet commenced business/ The PRC

40. Investments in Subsidiaries (Continued)

Notes:

(i) A wholly-foreign-owned enterprise

(ii) A limited liability company

(iii) During the year ended 31 December 2012, the Group further acquired 5% equity interests in Sino-Life Eternities Limited, which is the holding company of Sino-Life Eternities Services Limited, increasing its effective interests to 78.75%. The consideration of RMB2,000 were paid in cash. An amount of RMB2,000 (being the proportionate share of the carrying amount of the net assets of Sino-Life Eternities Limited and Sino-Life Eternities Services Limited) has been transferred from non-controlling interests.

During the year ended 31 December 2011, the Group further acquired 3.75% equity interests in Sino-Life Eternities Limited, increasing its effective interests to 73.75%. The consideration of RMB2,000 were paid in cash. An amount of RMB2,000 (being the proportionate share of the carrying amount of the net assets of SIno-Life Eternities Limited and Sino-Life Eternities Services Limited) has been transferred from non-controlling interests.

(iv) As detailed in note 33, which is as a result of the terms of the Contract and the paid up capital paid by Bao Son Life to HLV Duc Hoa through the Vendor, and the management of the daily operation and controlling the financial and operating policies of HLV Duc Hoa by Bao Son Life, HLV Duc Hoa is considered to be controlled by the Group and hence consolidated into the Group.

41. Equity-Settled Share-Based Transactions

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 eligible participants who have contributed or may contribute to the Group as incentive or rewards for their contributions to the Group.

(b) The eligible participants include (i) any employee or proposed employee of the Company and/or any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive directors and any non-executive directors (including independent non-executive directors) of the Company, any of such subsidiaries or any Invested Entity; 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 on the day on which trading of the Company's shares commenced on the GEM Board ("General Scheme Limit").

The total number of shares available for issue under the Share Option Scheme is 74,250,000 representing 10% of the issued shares of the Company as at the year end date.

41. Equity-Settled Share-Based Transactions (Continued)

(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 participants in any twelve-month period 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 eligible participants in writing and shall remain open for acceptance by the eligible 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 eligible 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 eligible participant, together with a non-refundable remittance in favour of the Company of HK$10 by way of consideration for the grant thereof is received by the Company, within such time as may be specified in the offer.

(g) For the options granted in 2010, they are exercisable starting half year from the grant date. 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.

For the options granted in 2012, they are exercisable starting one year from the grant date. The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 5 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 non-refundable remittance for the full amount of the subscription price for shares in respect of which the notice is given.

(i) The terms and conditions of the options granted are as follows:

	Number of instruments	Exercisable period	Contractual life of options
Options granted in 2010:			
Options granted to directors:			
– on 11 February 2010	6,420,000	11 August 2010 to 11 February 2020	10 years
Options granted to employees:			
– on 11 February 2010	11,680,000	11 August 2010 to 11 February 2020	10 years
Options granted to consultants:			
– on 11 February 2010	41,900,000	11 August 2010 to 11 February 2020	10 years
Total share options	60,000,000		
Options granted in 2012:			
Options granted to directors:			
– on 16 January 2012	2,000,000	16 January 2013 to 15 January 2017	5 years
Options granted to employees:			
– on 16 January 2012	14,920,000	16 January 2013 to 15 January 2017	5 years
	16,920,000		

The method of settlement for the options granted are by equity. The closing price of the Company's shares immediately before 11 February 2010 and 16 January 2012, the dates on which the options were granted were HK$1.16 and HK$0.24 respectively.

41. Equity-Settled Share-Based Transactions (Continued)

(j) The particulars of outstanding options at the end of the reporting period as follows:

	2012		2011	
	Weighted average exercise price	**Number of shares issuable under options granted**	Weighted average exercise price	Number of shares issuable under options granted
Outstanding at the beginning of the year	**HK$1.18**	**52,736,000**	HK$1.18	52,836,000
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	–	–
Granted during the year	**HK$0.60**	**16,920,000**	–	–
Lapsed during the year	**HK$0.71**	**(3,624,000)**	HK$1.18	(100,000)
Cancelled during the year	**–**	**–**	–	–
Outstanding at the end of the year	**HK$1.06**	**66,032,000**	HK$1.18	52,736,000
Exercisable at the end of the year	**HK$1.18**	**32,272,000**	HK$1.18	22,884,000

The particulars of outstanding options at the end of the reporting period are as follows:

31 December 2012	**Number of instruments**	**Vesting period**	**Exercisable period**	**Exercise price**
Options granted to employees:				
– on 11 February 2010	10,172,000	11 February 2010 to 10 August 2010	11 August 2010 to 11 February 2020	HK$1.18
Options granted to consultants:				
– on 11 February 2010	41,900,000	11 February 2010 to 10 August 2010	11 August 2010 to 11 February 2020	HK$1.18
Options granted to director:				
– on 16 January 2012	2,000,000	16 January 2012 to 15 January 2013	16 January 2013 to 15 January 2017	HK$0.60
Options granted to employees:				
– on 16 January 2012	11,960,000	16 January 2012 to 15 January 2013	16 January 2013 to 15 January 2017	HK$0.60
Total share options outstanding	66,032,000			

31 December 2011	**Number of instruments**	**Vesting period**	**Exercisable period**	**Exercise price**
Options granted to employees:				
– on 11 February 2010	10,836,000	11 February 2010 to 10 August 2010	11 August 2010 to 11 February 2020	HK$1.18
Options granted to consultants:				
– on 11 February 2010	41,900,000	11 February 2010 to 10 August 2010	11 August 2010 to 11 February 2020	HK$1.18
Total share options outstanding	52,736,000			

The share options outstanding at 31 December 2012 had a weighted average exercise price of HK$1.06 (2011: HK$1.18) and a weighted average remaining contractual life of 6.5 years (2011: 8.1 years).

41. Equity-Settled Share-Based Transactions (Continued)

(j) The particulars of outstanding options at the end of the reporting period as follows: (Continued)

The options granted on 11 February 2010 expire ten years from the date of grant. As at 31 December 2012, 2,572,000 of 52,072,000 options (2011: 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 49,500,000 of 52,072,000 options (2011: 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 of following four years from the date of grant.

(k) Fair value of share options and assumptions

(i) Granted to employees

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model.

	2012
Fair value of share options at measurement date	**HK$0.04**
Share price	**HK$0.23**
Exercise price	**HK$0.60**
Expected volatility (expressed as weighted average volatility used in the modeling under Binomial Option Pricing Model)	**50.23%**
Option life (expressed as weighted average life used in the modelling under the Binomial Option Pricing Model)	**5 years**
Expected dividends	**–**
Risk-free interest rate (based on Exchange Fund Notes)	**0.85%**

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on public available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

(ii) Granted to consultants

The fair value for share options granted is measured using the market-based approach, by reference to the discounted cash flows to estimate the fair value of the professional fees that should have been paid. The value was developed by discounting future cash flows from the services to be provided by the consultants, taking into account the uniqueness of the services provided by the consultants, the historical monthly payments to similar services provided by the consultants and the service period, along with other out of pocket expenses.

Up to 31 December 2012, 41,900,000 share options under the Share Option Scheme are granted by the Company to the consultants of the Group which entitles the holder thereof to subscribe for an aggregate of 41,900,000 ordinary shares of HK$0.1 each in the capital of the Company with an exercise price of HK$1.18 per share during the exercisable period from 11 August 2010 to 11 February 2020.

42. Accounting Estimates and Judgements

(a) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Impairment of receivables

The Group maintains allowance for doubtful debts based on evaluation of the recoverability of trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivable balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance might be required.

(iii) Impairment of property, plant and equipment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying amounts the assets and could result in additional impairment charge or reversal of impairment in future periods.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

42. Accounting Estimates and Judgements (Continued)

(a) Key sources of estimation uncertainty (Continued)

(v) Depreciation and amortisation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses charge for the year.

This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(vi) Income tax

The subsidiaries of the Company are subject to income taxes in the PRC and Taiwan. Significant judgement is required in determining the provision for income taxes. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the financial period in which such determination is made.

(vii) Price of funeral services deeds

The Group determines the pricing of the funeral services deeds by adding a margin to the estimated cost of delivering funerals, after taking into account of major factors including instruction of the Deed Holders.

This estimate is based on the sub-contracting fee payable to the sub-contractor for each funeral service deed performed, the current market condition and the price of deeds from sub-contractors. Management reassesses these estimates at the end of each reporting period.

(viii) De facto control in a subsidiary

The Group does not have any direct or indirect equity interests in HLV Duc Hoa. However, as a result of the terms of the contract for the sale and purchase of shares of HLV Duc Hoa and the paid up capital paid by Bao Son Life to HLV Duc Hoa through the Vendor, and the management of the daily operation and controlling the financial and operating policies of HLV Duc Hoa by Bao Son Life, the directors of the Company considered that the Group has maintained de facto control in HLV Duc Hoa and the Group continues to report it as a subsidiary.

43. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2012

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.