



SINO LIFE

# 中國生命集團有限公司 SINO-LIFE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8296 )



Third Quarterly Report **2009**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG (THE “STOCK EXCHANGE”)**

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

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

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*This report, for which the directors (the “Directors”) of Sino-Life Group Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



The Company's shares were listed on GEM of the Stock Exchange on 9 September 2009.

- Turnover increased by approximately 7.4% to RMB33.3 million (2008: approximately RMB31.0 million)
- Gross profit rose by approximately 14.4% to approximately RMB24.7 million (2008: approximately RMB21.6 million)
- Profit attributable to shareholders increased by approximately 547.1% to approximately RMB11.0 million (2008: approximately RMB1.7 million)
- Earnings per share achieved RMB2.37 cents (2008: RMB0.37 cents)

## Condensed Consolidated Quarterly Results for the nine months ended 30 September 2009 (Unaudited)

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the three months and the nine months ended 30 September 2009 together with the comparative unaudited figures for the corresponding periods in 2008, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
<b>Turnover</b>	3	<b>10,796</b>	9,583	<b>33,336</b>	30,983
Cost of sales		<b>(3,077)</b>	(2,901)	<b>(8,598)</b>	(9,376)
<b>Gross profit</b>		<b>7,719</b>	6,682	<b>24,738</b>	21,607
Other revenue		<b>65</b>	143	<b>1,382</b>	1,335
Other net income/(loss)		<b>2,862</b>	(2,068)	<b>4,827</b>	(3,676)
Selling expenses		<b>(3,032)</b>	(2,524)	<b>(8,383)</b>	(7,235)
Administrative expenses		<b>(2,843)</b>	(2,413)	<b>(8,112)</b>	(7,635)
Other operating expenses		<b>(1)</b>	(2)	<b>(265)</b>	(657)
Finance costs		<b>(181)</b>	(286)	<b>(638)</b>	(810)
<b>Profit/(loss) before taxation</b>		<b>4,589</b>	(468)	<b>13,549</b>	2,929
Income tax expense	4	<b>(564)</b>	(1,043)	<b>(2,586)</b>	(1,269)
Profit/(loss) for the year		<b>4,025</b>	(1,511)	<b>10,963</b>	1,660
Other comprehensive income/(loss) for the period, net of tax		<b>(65)</b>	6	<b>218</b>	530
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD</b>		<b>3,960</b>	(1,505)	<b>11,181</b>	2,190
Profit/(loss) attributable to:					
Owners of the Company		<b>4,025</b>	(1,511)	<b>10,963</b>	1,660
Minority interests		<b>-</b>	-	<b>-</b>	-
		<b>4,025</b>	(1,511)	<b>10,963</b>	1,660
Total comprehensive income/(loss) attributable to:					
Owners of the Company		<b>3,960</b>	(1,505)	<b>11,181</b>	2,190
Minority interests		<b>-</b>	-	<b>-</b>	-
		<b>3,960</b>	(1,505)	<b>11,181</b>	2,190
Earnings/(loss) per share					
Basic	6	<b>RMB0.87 cents</b>	RMB(0.34) cents	<b>RMB2.37 cents</b>	RMB0.37 cents

## COMBINED STATEMENT OF CHANGES IN EQUITY

	Other comprehensive income											
	Share capital	Share premium	Merger reserve	Statutory reserve	Statutory surplus reserve	Properties revaluation reserve	Foreign currency translation reserve	Convertible bonds equity reserve	Accumulated losses	Attributable to owners of the Company	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008 (audited)	366	39,624	(16,261)	225	111	2,846	2,445	-	(20,764)	8,592	-	8,592
Issue of convertible bonds	-	-	-	-	-	-	-	496	-	496	-	496
Total comprehensive income for the period	-	-	-	-	-	696	(166)	-	1,660	2,190	-	2,190
Profit appropriation to reserves	-	-	-	-	291	-	-	-	(291)	-	-	-
At 30 September 2008 (unaudited)	366	39,624	(16,261)	225	402	3,542	2,279	496	(19,395)	11,278	-	11,278
At 1 January 2009 (audited)	366	39,624	(16,261)	225	515	325	2,912	496	(19,040)	9,162	-	9,162
Conversion of the convertible bonds	62	17,279	-	-	-	-	-	(496)	-	16,845	-	16,845
Capitalisation issue	43,049	(43,049)	-	-	-	-	-	-	-	-	-	-
Issue of new shares	15,229	69,566	-	-	-	-	-	-	-	84,795	-	84,795
Total comprehensive income for the period	-	-	-	-	-	(89)	307	-	10,963	11,181	-	11,181
Profit appropriation to reserves	-	-	-	-	259	-	-	-	(259)	-	-	-
<b>At 30 September 2009 (unaudited)</b>	<b>58,706</b>	<b>83,420</b>	<b>(16,261)</b>	<b>225</b>	<b>774</b>	<b>236</b>	<b>3,219</b>	<b>-</b>	<b>(8,336)</b>	<b>121,983</b>	<b>-</b>	<b>121,983</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2009

### 1. GENERAL

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

### 2. BASIS OF PREPARATION

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

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

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

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

The accounting policies adopted in preparing the unaudited condensed consolidated third quarterly financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2008.

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

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

### 3. TURNOVER AND SEGMENTAL INFORMATION

The amount of each significant category of revenue recognised in turnover for the nine months ended 30 September 2008 and 2009 ("the Relevant Periods") is as follows:

	Nine months ended 30 September	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Funeral services provided in funeral parlours and funeral services centres under the Group's management	17,150	11,021
Cremation services	8,168	8,307
Funeral arrangement services	8,018	11,593
Others	–	62
	<b>33,336</b>	30,983

#### **Business information**

The Group's revenue and contribution to profit from operating activities for the nine months ended 30 September 2009 were mainly derived from funeral operation. Accordingly, no business segmental analysis is required.

#### **Geographical information**

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

	Revenues from external customers Nine months ended 30 September	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Taiwan	8,018	11,655
The PRC	25,318	19,328
	<b>33,336</b>	30,983

#### 4. INCOME TAX

- (i) The subsidiaries, Chongqing Xibao Funeral Technology Company Limited and Chongqing Xizhou Funeral Service Company Limited operating in the PRC, are subject to enterprise income tax rate at 25% (2008: 25%) in accordance with the Law of the People's Republic of China on Enterprises Income Tax (中華人民共和國企業所得稅法).
- (ii) Bau Shan Life Science Technology Co., Ltd., a direct subsidiary of the Company, is subject to enterprise income tax rate at 25% in accordance with the Income Tax Act and other relevant laws in Taiwan.
- (iii) No provision for Taiwan enterprise income tax has been made for Bau De Funeral Services Holdings Co., Ltd., an indirect subsidiary of the Company, as the subsidiary sustained losses during the Relevant Periods.
- (iv) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the Relevant Periods.
- (v) Provision for Hong Kong profits tax is not made as the Group does not derive any assessable profits in Hong Kong during the Relevant Periods.

#### 5. DIVIDENDS

The directors do not recommend payment of any dividend for the nine months ended 30 September 2009 (nine months ended 30 September 2008: HK\$Nil).

#### 6. EARNINGS PER SHARE

**(a) Basic earnings per share**

The calculation of basis earnings per share is based on the profit for the period attributable to owners of the Company of approximately RMB10,963,000 (nine months ended 30 September 2008: RMB1,660,000) and the weighted average of 462,664,835 shares (nine months ended 30 September 2008: 450,000,000 shares after adjusting for the capitalization issue in 2009) in issue during the nine months period.

**(b) Diluted earnings per share**

Diluted earnings per share is equal to basic earning per share as there were no dilutive potential ordinary shares outstanding for the Relevant Periods.



# Management Discussion and Analysis

## BUSINESS REVIEW

The Company is pleased to report the third quarterly results for the nine months ended 30 September 2009 following its successful listing on the Stock Exchange on 9 September 2009. While focusing on its core business in the provision of funeral services to the general public in Taiwan and the PRC, the Group has also strived to expand its service network and to improve public awareness of the Group's services in the market.

### The PRC

The Group has entered into a management agreement with one funeral parlour and two funeral service centres located at Chongqing Municipality and Yibin City in Sichuan Province respectively, through which the Group provides funeral services and cremation services in the PRC.

### Taiwan

In Taiwan, the Group is principally engaged in the sales of funeral services deeds which is accounted by the Group as receipt in advance and the provision of funeral arrangement services to funeral services deed holders and non-funeral services deed holders, which are accounted by the Group as revenue.

## OUTLOOK

### The PRC

The PRC is the most populous country in the world. Its population reached approximately 1.3 billion people in 2007. The PRC faces significant aging of its population. In 2007, the aged population is approximately 124 million. The mortality rate of the PRC in 2007 was 0.693% and there were approximately 9,156,500 deaths in total. It has maintained at a range of 0.640% to 0.693% during the last 10 years.

In 2007, the total population in Chongqing (the "Chongqing Total Population") was approximately 28 million where the population aged 65 or above reached approximately 3.3 million, representing about 11.68% of the Chongqing Total Population. The ratio of the aged population in Chongqing to the Chongqing Total Population was higher than that of the whole country which was 9.36%. The mortality rate in Chongqing was 0.63% in 2007.

In 2007, the total population in Sichuan Province (the "Sichuan Total Population") was approximately 81 million where the population aged 65 or above reached approximately 8.9 million, representing about 10.98% of the Sichuan Total Population. The ratio of the aged population in Sichuan to the Sichuan Total Population was higher than that of the whole country which was 9.36%. The mortality rate in Sichuan was 0.629% in 2007.

### Taiwan

In 2007, the total population of Taiwan was approximately 22.96 million. The aged population has increased from about 1.75 million in 1997 to about 2.34 million in 2007, representing a percentage increase of 33.73%. In 2007, the population aged 65 or above amounted to 10.2% of the total population of Taiwan. The mortality rate in Taiwan was 0.61% in 2007.

The increasing number of deaths and the growing trend of aged population provide the funeral services industry with ample growth opportunities.

Going forward in the final quarter of this fiscal year, the Group will execute/continue to execute its development plans which will cover the following aspects:

#### 1. **Business development**

- i. Continue to recruit additional staff for different funeral parlours and funeral service centres;
- ii. Continue to expand the geographical coverage of funeral services network in the PRC by entering into funeral-services agreement; and
- iii. Expand funeral services network in other major cities by entering into funeral-services agreement.

## **2. Diversifying the nature of services, providing better facilities and services**

- i. Continue to carry out regular improvement works on its funeral parlours and funeral service centres layout and decoration;
- ii. Continue to develop funeral services products.

## **3. Improvement of public awareness**

- i. Continue to expand its marketing network in the PRC through advertising and marketing activities;
- ii. Refurbish existing and other newly managed funeral parlours and funeral service centres.

## **FINANCIAL REVIEW**

For the nine months ended 30 September 2009, the Group's turnover was approximately RMB33.3 million, representing an increase of 7.4% from approximately RMB31.0 million for the corresponding period of last year. The increase was mainly contributed by the expansion of operating in the PRC which also increased by 31.0% for the nine months ended 30 September 2009.

Cost of sales for the nine months ended 30 September 2009 was approximately RMB8.6 million, representing a decrease of approximately 8.3% compared with the corresponding period in 2008. The decrease in cost of sales was mainly attributable to the decrease in the subcontracting fee paid to service providers and commission recognised, which was due to decrease in operation and sales in Taiwan.

The other net income for the nine months ended 30 September 2009 was approximately RMB4.8 million compared with a loss of RMB3.7 million for the corresponding period in 2008. The gain was mainly due to the fact that there was a loss in the fair value of financial assets of approximately RMB3.8 million for the nine months ended 30 September 2008 to a gain of approximately RMB4.5 million for the nine months ended 30 September 2009 as a result of the rise in the unit price of the financial assets for the nine months ended 30 September 2009.

Selling expenses for the nine months ended 30 September 2009 increased by approximately 15.9% to approximately RMB8.4 million as compared with the corresponding period in 2008. The increase in the amount of selling expenses was mainly attributable to the Group's increased rental and management costs, which was a result of its expansion in the funeral parlour and funeral service centres management business in the PRC.

Administrative expenses increased by approximately 6.2% to approximately RMB8.1 million for the nine months ended 30 September 2009 as a result of the net effect of (i) decrease in the Group's staff costs due to the fact that part of the existing staff is replaced by new staff with lower monthly salary; (ii) increase in depreciation and amortisation resulted from the increase in investment in the property, plant and equipment in the PRC; and (iii) increase in other office expenses due to the expansion of business in the PRC.

The profit attributable to the shareholders for the nine months ended 30 September 2009 was approximately RMB11.0 million compared with RMB1.6 million for the corresponding period of last year as a result of the overall effect from the above-mentioned factors.

The Group remained in a healthy and sound liquidity position as at 30 September 2009. The total bank balances and cash of the Group amounted to approximately RMB120.2 million. As at 30 September 2009, the Group had no other material capital commitments, material contracts or significant investment plans, except those disclosed in the listing document. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity facilities to meet operation requirements and acquisition opportunities. The Group's debt to equity ratio, defined as the Group's net debt divided by shareholders' fund, was nil.

## **CONTINGENT LIABILITIES**

As at 30 September 2009, the Group did not have any significant contingent liabilities.

## Corporate Governance and Other Information

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

As at 30 September 2009, 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 Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

#### Aggregate long positions in the Shares

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

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

The register of substantial shareholders required to be kept under section 336 of Part XV of SFO showed that as at 30 September 2009, the Company was notified of the following substantial shareholders' interests, being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and chief executive:

#### Aggregate long positions in the Shares

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

Notes:

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

## COMPETING BUSINESS

As at 30 September 2009, none of the Directors, or any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and which was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective associates (as defined under the GEM Listing Rules) had any interest in a business, which competed or might compete with the business of the Group.

### Share Option Scheme

No share options have been granted under the existing share option scheme been adopted by the Company as at the date of this report.

### Interests of the Compliance Adviser

As notified by Sun Hung Kai International Limited ("SHKI"), the Company's compliance adviser, neither SHKI nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2009.

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2009, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

### Corporate Governance

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

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

The Company is also in the progress of assessing the effect of the implementation of CCGP on the Company's operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the nine months ended 30 September 2009.

### Securities Transactions by Directors

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

### **Audit Committee**

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

The audit committee has reviewed the financial statements of the Group for the nine-month period ended 30 September 2009 pursuant to the relevant provisions contained in the CCGP and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 11 November 2009

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