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

Annual Report ***2009***

Live Life to
the Fullest

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Tien-Tsai *(Chairman)*
Mr. Kim Eun Back

Non-executive Directors
Mr. Niu Tse-Cheng
Mr. Zheng Yimin

Independent non-executive Directors
Mr. Chai Chung Wai
Mr. Ching Clement Yat-biu
Mr. Lam Ying Hung Andy
Mr. Luo Xuegang

COMPANY SECRETARY

Mr. Mok Yu Ting *CPA, FCCA*

AUTHORIZED REPRESENTATIVES

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

AUDIT COMMITTEE

Mr. Ching Clement Yat-biu *(Chairman)*
Mr. Luo Xuegang
Mr. Lam Ying Hung Andy
Mr. Chai Chung Wai

REMUNERATION COMMITTEE

Mr. Chai Chung Wai *(Chairman)*
Mr. Ching Clement Yat-biu
Mr. Luo Xuegang
Mr. Lam Ying Hung Andy

NOMINATION COMMITTEE

Mr. Luo Xuegang *(Chairman)*
Mr. Ching Clement Yat-biu
Mr. Chai Chung Wai
Mr. Lam Ying Hung Andy

AUDITOR

CCIF CPA Limited
Certified Public Accountants

SOLICITORS

P. C. Woo & Co.

COMPLIANCE ADVISER

Sun Hung Kai International Limited

PRINCIPAL BANKER

First Commercial Bank Bo-ai Branch
The Hongkong and Shanghai Banking
Corporation Limited
Hua Nan Bank (華南商業銀行)
South Kaohsiung Branch

REGISTERED OFFICE

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

PLACE OF BUSINESS

Room 1806, 18th Floor
Dominion Centre
43–59 Queen's Road East
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
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

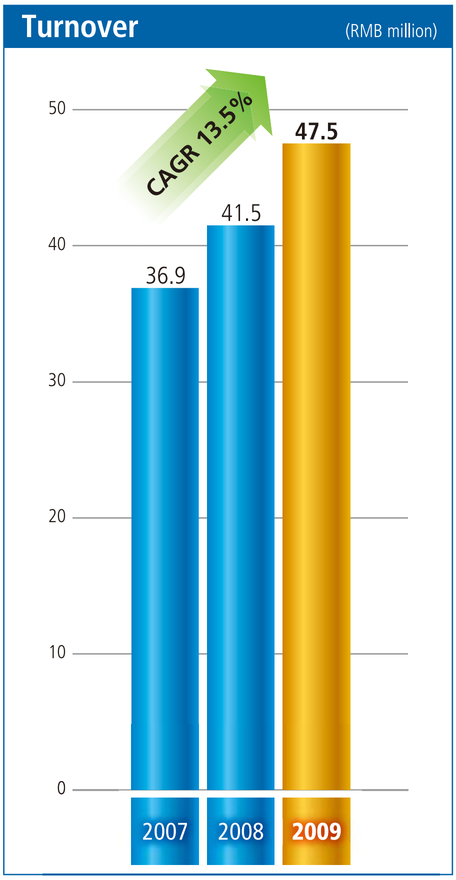
STOCK CODE

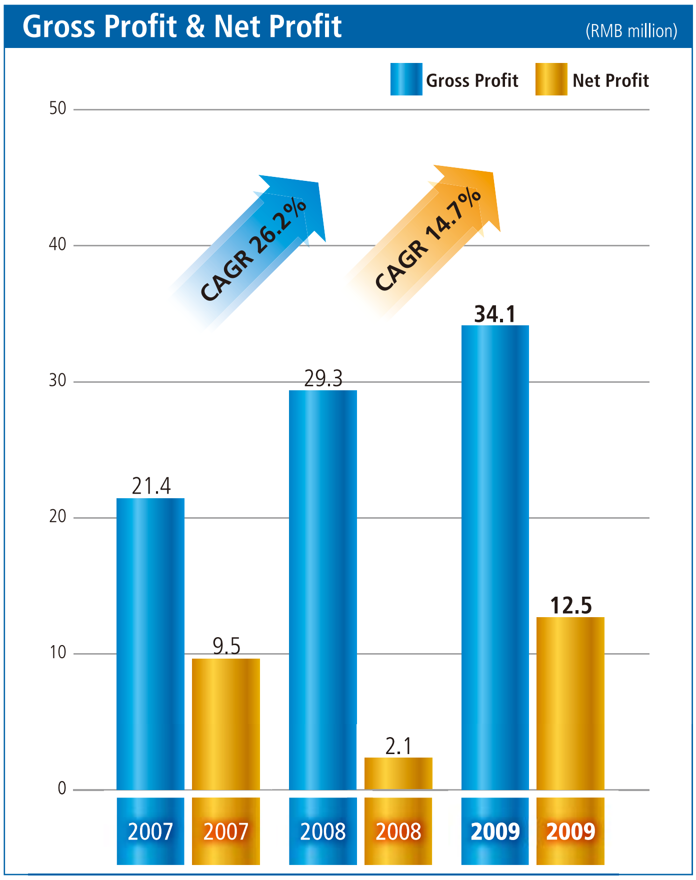
8296

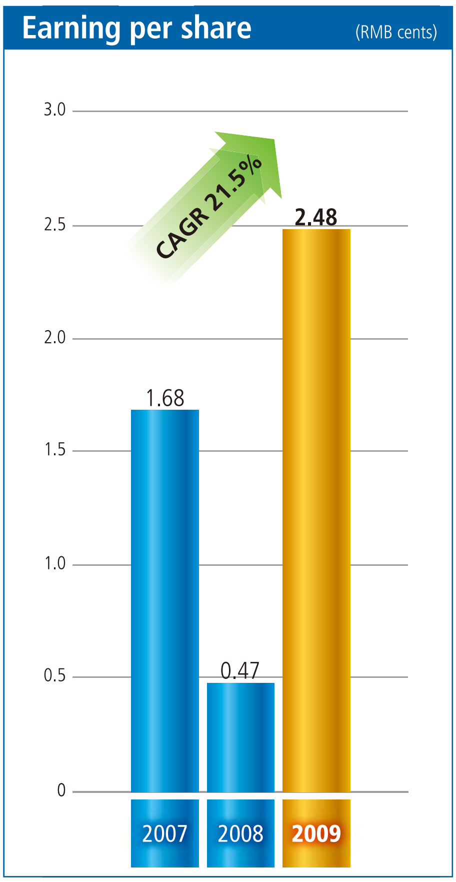
WEBSITE

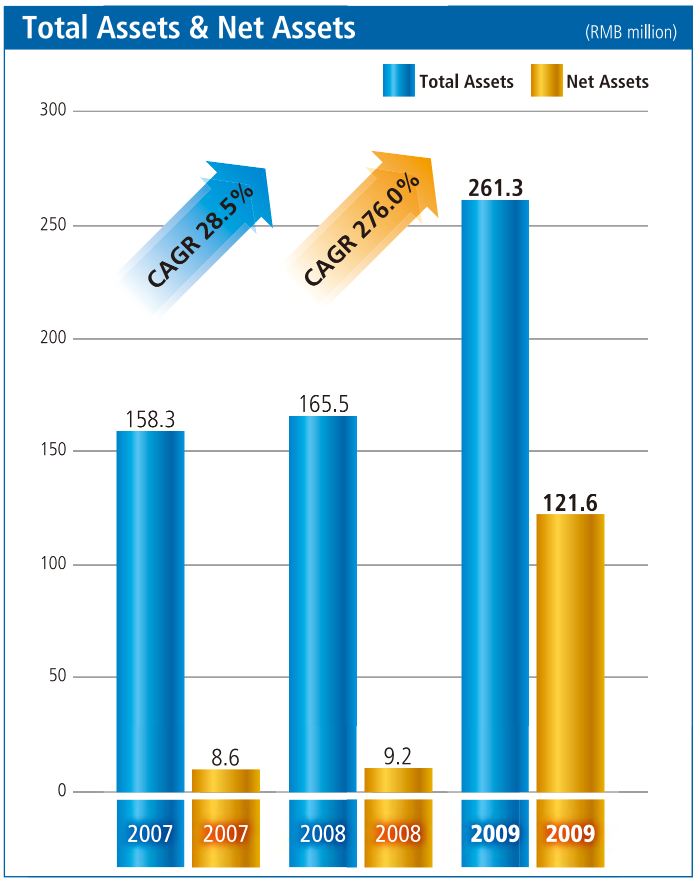
www.sinolifegroup.com

Financial Highlights










“Beauty of Life”

Chairman's Statement

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual 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 2009 ("Year 2009").

The Year 2009 has been extraordinarily meaningful for the development of the Group. An important reason for the year's significance was that on 9 September 2009, Sino-Life was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited by way of placing, becoming the first listed enterprise in Hong Kong that provided funeral services. The successful listing captured the attention of the capital market in Hong Kong, and the encouraging results of placing also reflected the confidence of institutional investors in the business model of Sino-Life, as well as the prospects of the funeral services industry in Mainland China and Taiwan, and, at the same time, raised the public recognition of the Group's professional funeral services.

As a leading five-star funeral services provider in the Greater China region, and guided by our people-oriented philosophy, Sino-Life operates and manages two funeral parlours (one of which was newly constructed in 2009) and two funeral services centers in Chongqing City and Yibin City in Sichuan Province providing comprehensive funeral services. Both areas have a large population of the aged. The Group also sells funeral services deeds and provides funeral arrangement and funeral consultation services in Taiwan. In addition, Sino-Life has signed five memoranda of understanding during the Year 2009, among which two have already been undertaken, to manage the funeral parlours and funeral services centers covering Chongqing City, Sichuan Province and Jiangxi Province, further enlarging the coverage and solidifying the leading position of Sino-Life in Sichuan Province and Chongqing City.

The Group's business achieved outstanding performances during the Year 2009, which in turn has driven a significant improvement to the Group's results. For the 12 months ended 31 December 2009, the Group's turnover increased 14.5% as compared with the corresponding period in the last year, totalling RMB47.5 million, with the Chinese market accounting for 71.4% and the Taiwan market accounted for 28.6%. Due to the increased portion of income from China, the gross profit margin also experienced an increase from 70.6% in the corresponding period of the last year to 71.8%. The profit attributable to shareholders soared to RMB12.5 million, representing an increase of 495.2% over the same period in the last year, with the net profit margin reaching 26.3%.

The Group is focusing its efforts to develop the market in China, which is the world's most populous nation. With the continuous growth of the customers' capacity of spending, their demand for high-quality funeral services will increase in parallel. Looking into the future, the Group's strategy will be guided by the objective of accelerating its pace of development. Towards this end, in addition to building up its brand and enlarging its network throughout China and Taiwan, the Group will continue to seek business partners and extend the range of our funeral services into other urban markets which have enormous potential in China given the rapid growth of their population. In the meanwhile, through constant innovation, we will customise our services to more fully satisfy the needs of our customers while introducing innovative value added services and products. We will also further develop the business of columbaria services with an aim to diversify our sources of revenue.

Leveraging the professionalism, innovation and achievements of Sino-Life within the funeral services sector, we intended to spur improvement in service standards of the industry and aid the public to more clearly understand the profession and the importance of the funeral industry to society. Through our efforts to continuously deliver better service quality and professional training within the industry as well as to develop high value-added services and products, together with initiative to expand business, the management is confident to bring the shareholders long-term returns and create considerable value.

On behalf of the Board, I would like to express my heartfelt gratitude to each bank and investor for their support for 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 in the past year.

Liu Tien-Tsai
Chairman
Hong Kong, 22 March 2010


"The Art of Living
is Beautiful"

Management Discussion and Analysis

Management Discussion and Analysis

Business Review

The PRC Market

The turnover derived from the PRC market was RMB33.9 million for the year ended 31 December 2009, representing a 23.3% increase from the same period last year, and accounted for 71.4% of the Group's turnover.

During the period under review, the Group provided management services to Chongqing Jiang Nan Funeral Parlour ("Jiang Nan"), Chongqing Zhong County Funeral Parlour ("Zhong Xian") as well as Chongqing Tian Fu Funeral Service Center ("Tian Fu") in Chongqing and Yibin Funeral Service Center ("Yibin") in Sichuan Province, the PRC.

Jiang Nan

Jiang Nan, situated at the southern river bank of the Yangtze River in Chongqing, the PRC, offers a full range of funeral services such as mourning ceremonies, catering, accommodation and transportation together with the preservation of remains, cosmetological surgery, and cremation and storage of cremains as well as burial services. The Group has adopted a modern security system to manage the storage area, deploying advanced technologies including infrared ray barcodes and digital-imaging, which enables Jiang Nan to store more than 9,500 urns of cremains.

During the period under review, the Group derived revenue of approximately RMB20.4 million from Jiang Nan, which represented approximately 42.9% of the Group's total turnover. The Group incurred annual management fee of approximately RMB6.8 million, and the operating fee paid to Jiang Nan amounted to approximately RMB1.2 million.

In addition, the Group offers cremation to customers in Chongqing through Jiang Nan Funeral Parlour, which enables the Group to provide a wide range of funeral services in Chongqing. For the year ended 31 December 2009, the Group has handled a total of 6,940 cremation cases at Jiang Nan, an increase of 1.5% compared with the same period in 2008.

Tian Fu

Tian Fu is located in Jiulongpo District of Chongqing Municipality, the PRC. Tian Fu boasts a modernised, sanitary and hygienic mortuary and autopsy room which is used for post-mortem autopsies and cosmetic beautification and make-up preparation for the deceased. The mortuary has a capacity for 19 deceased persons.

During the period under review, the Group has derived revenue of approximately RMB12.0 million from Tian Fu, which represented approximately 25.3% of total turnover of the Group. The Group has incurred annual management fee of approximately 1.5 million.

Yibin

Yibin is located at Yibin City, Sichuan Province, the PRC. The funeral service center of the Group is equipped with a catering hall, guest rooms, a service centre offering funeral materials for sale, funeral halls, a car park, a fleet of cars designated for funerals and other requisite services as well as an autopsy room for performing post-mortem examinations.

During the year, the Group derived revenue of approximately RMB1.1 million from Yibin, which represented approximately 2.3% of total turnover of the Group. The Group incurred an annual management fee of approximately 0.5 million.

Zhong Xian

In addition, on 15 November 2009, the Group implemented the projects as stated in the memorandum of understanding signed with Zhong County Mortuary Service Centre ("Zhong County Mortuary") before the Listing and entered into a contract (the "Zhong Contract") of operation. Under the terms of the Zhong Contract, the Group would manage Zhong Xian in Zhongzhou Town, Zhong County, Chongqing, for a term of 20 years. The annual management fee shall be RMB2,200,000 for the first two years. Zhong County Mortuary shall be responsible for coordination with respect to the Group's day-to-day management of the funeral parlour and all profit and loss arising from the daily management. Zhong Xian offers people-oriented funeral services, including the transportation and disposition of remains, funeral ceremonies, cremation, disposition of cremains, and the production and sale of funeral products as well as sales and management of cemeteries.

Taiwan Market

In Taiwan, mainly through agreements signed with 15 sales agents, the Group is principally engaged in the sales of funeral services deeds which is accounted for by the Group as receipt in advance. The Group also provides funeral arrangement services to funeral services deed holders and non-funeral services deed holders alike, which are accounted for by the Group as revenue. In order to support the business development of the Group in Taiwan, the Group operates four service centres at Taipei, Hsinchu, Changhua and Kaohsiung.

The turnover from the Taiwan market was RMB13.6 million for the year ended 31 December 2009, representing a decrease of 2.9% from the same period last year, accounting for 28.6% of the Group's turnover.

Prospect

The Group was listed on The Stock Exchange of Hong Kong Limited on 9 September, 2009. The funds raised after the listing have help to lay a solid foundation for the future development of the Group, and will enable an acceleration of the Group's pace to expand in the scale of operations and its market share.

In the Year 2010, the Group began to implement the projects under the memorandum of understanding signed with Chongqing An Fu Funeral Services Limited before the listing and entered into a contract (the "Jiangbei Contract") of operation. Under the terms of the Jiangbei Contract, the Group will be responsible for the management of An Fu Funeral Service Centre located at No. 11 Jianxin West Road, Jiangbei District, Chongqing for five years from 1 March 2010 with an annual management fee for the funeral center of RMB2,200,000. During this period, the Group will take over all day-to-day operations of the funeral service centre and shall be responsible for its profit and loss. The funeral service centre offers customer-based funeral services, including transportation and disposition of remains, burial, funeral ceremonies and sales of funeral products.

Looking into the future, the Group will follow through on a strategy in which it will enter into more funeral service management agreements with funeral parlours and funeral service centers in major cities in China while providing quality value-added services under the extant management contracts. As part of our efforts to deliver value-added services we will optimise facilities, through improvements, renovations or refurbishing the funeral parlours and funeral service centres. In addition, the Group will develop the agency business for the sales of spaces in a columbarium in Taiwan. The Group anticipates that its expanding scale of operations will enable the Group to become a leading five-star funeral service provider in the Greater China Region.

Financial Review

1. Turnover

The turnover arising from principal activities for the year ended 31 December 2009 was approximately RMB47.5 million (2008: approximately RMB41.5 million), representing an increase of approximately 14.5% as compared to 2008. The increase of total revenue was mainly due to the expansion of operations in the PRC during the year, achieving a turnover of approximately RMB33.9 million (2008: approximately RMB27.5 million), representing an increase of approximately 23.3%. However, there was a constraint on growth of its operations in Taiwan. The turnover generated by the Taiwan operations was approximately RMB13.6 million (2008: approximately RMB14.0 million), representing a decrease of approximately 2.9% as the scope of business of the Group has narrowed. As a result of the Group's increased efforts in the PRC, that portion of the Group's total turnover increased from approximately 66.3% for 2008 to approximately 71.4% for 2009. The portion of the Group's total turnover in Taiwan decreased from approximately 33.7% for 2008 to approximately 28.6% for 2009.

Due to the expansion of funeral parlour and funeral service centres under the Group's management in the PRC, the turnover from the funeral service provided in funeral parlour and funeral service centres under the Group's management increased by 37.0%, amounting to approximately RMB22.6 million (2008: approximately RMB16.5 million). The rise was mainly due to (i) the increase in the number of funeral services provided from 1,433 for 2008 to 1,737 for 2009 and (ii) the average spending per service provided from RMB11,530 for 2008 to RMB13,060 for 2009. The increase in the number of the cases was due to the boost of its reputation through the Group's provision of quality service and the completion of refurbishment in 2009. The increase in average spending was due to the increase in the consumer spending power in 2009 and the fact that higher fees could be charged after refurbishment of the funeral service centres.

The turnover from the cremation services increased by 2.7%, amounting to approximately RMB11.3 million (2008: approximately RMB11.0 million). The increase was mainly due to the increase in the number of cremation services provided from 6,836 for 2008 to 7,289 for 2009. The average spending per service provided slightly decreased from RMB1,607 for 2008 to RMB1,547 for 2009. 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 was approximately RMB13.6 million (2008: approximately RMB13.9 million), representing a slight decline of 2.2% over last year. It was due to the intense competition in the Taiwan funeral service industry and the Directors believes that the market in Taiwan is saturated and room for growth is limited. Thus, the number of cases for the funeral arrangement services dropped in 2009 and resulted in the decrease in the total turnover here.

2. Gross Profit and Gross Profit Margin

Gross profit rose by 16.4% to approximately RMB34.1 million (2008: approximately RMB29.3 million), and gross profit margin increased slightly to approximately 71.8% (2008: approximately 70.6%). The gross profit margin of funeral services provided in funeral parlour and funeral service centres under the Group's management increased to approximately 76.8% (2008: approximately 73.9%) which was mainly due to the growth in average spending per service by 13.3%. The gross profit margin of cremation services slightly decreased to approximately 90.4% (2008: approximately 91.5%) which was mainly due to the decrease in average spending per service by 3.7% and that of funeral arrangement services in Taiwan decreased to approximately 47.9% (2008: approximately 50.0%) which was mainly due to the decrease in average spending per service by 1.7%.

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.

3. Profit for the Year

In 2009, profit for the year increased 495.2% from 2008 to approximately RMB12.5 million (2008: approximately RMB2.1 million). The increase was mainly due to (i) the increase in the gross profit by approximately RMB4.8 million or 16.4%; (ii) the net gain in the fair value of financial assets of approximately RMB4.1 million (2008: loss of approximately RMB4.8 million); and, (iii) increase in commission income to approximately RMB6.4 million (2008: approximately RMB0.6 million) due to the introduction of more cemeteries to the customers from funeral services provided by the Group in the PRC and in Taiwan.

Selling expenses increased by approximately 15.8% to approximately RMB11.7 million (2008: approximately RMB10.1 million). The increase was mainly attributable to the Group's increased rental and management costs and agency costs resulting from its expansion in the funeral parlour and funeral service centres management business in the PRC. The proportion of selling expenses to turnover was approximately 24.6% (2008: approximately 24.3%). Administrative expenses rose by approximately 37.1% to approximately RMB14.4 million (2008: approximately RMB10.5 million) as a result of the continuous expansion of the Group's PRC business and the cost incurred in relation to listing purposes after 9 September 2009. The proportion of administrative expenses to turnover was approximately 30.3% (2008: approximately 25.3%). Finance costs dropped by approximately 30.0% to approximately RMB0.7 million (2008: approximately RMB1.0 million) because the decline in bank interest rates. Income tax expense increased by approximately 126.3% to approximately RMB4.3 million (2008: approximately RMB1.9 million) due to the increase in profit before tax. The effective tax rate of the Group was approximately 25.6% (2008: approximately 47.5%). The decrease in the effective tax rates was due to the increase of non-taxable gains in the fair value of financial assets for 2009.

4. Liquidity, Financial Resources and Capital Structure

The Group maintains a stable financial position. As at 31 December 2009, the Group had bank balances and cash of approximately RMB112.7 million (2008: approximately RMB15.4 million) and bank and other loans and convertible bonds of approximately RMB15.1 million (2008: approximately RMB31.5 million). All bank and other loans were denominated in New Taiwan Dollars, at prevailing market interest. During the period, 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 5.8% as at 31 December 2009 (2007: 19.0%).

5. Exposure to Fluctuation in Exchange Rates

The Group's operations are geographically based in the PRC and Taiwan. The revenue derived from Taiwan accounted for approximately 28.6% (2008: approximately 33.7%) of the total revenue. Its financial statements are presented in Renminbi, while a significant portion of the revenue and expenses are denominated in New Taiwan Dollar. It is possible that the value of Renminbi may fluctuate in value against that of the New Taiwan Dollars. The Group's operations results and financial condition may be affected by changes in the exchange rates of Renminbi against the New Taiwan Dollar, in which the Group's revenue and expenses are denominated. As at 31 December 2009, 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 35 to the Consolidated Financial Statements.

6. Significant Acquisitions and Disposal of Investments

For the year ended 31 December 2009, the Group did not have any significant acquisition and disposal of investment.

7. The Number and Remuneration of Employees

As at 31 December 2009, the Group employed approximately 272 employees (2008: 217 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.

8. Charge on Group Assets

The carrying amounts of property, plant and equipment pledged as security for the Group's bank borrowings and other loans were approximately RMB25.4 million (2008: approximately RMB24.6 million).

9. Contingent Liabilities

As at 31 December 2009, the Group did not have any contingent liabilities (2008: Nil).

10. Capital Expenditure

For the year ended 31 December 2009, capital expenditure of the Group for property, plant and equipment amounted to approximately RMB6.1 million (2008: approximately 5.7 million).

11. Capital Commitments

As at 31 December 2009, the Group had capital expenditure contacted for but not provided in the financial statements amounting to approximately RMB5.1 million (2008: approximately RMB0.6 million).

12. 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 2009 is set out below:

	Business objectives for the period from the Listing Date to 31 December 2009 as stated in the Prospectus	**Actual business progress up to 31 December 2009**
1.	Expand funeral services network in other major cities by entering into funeral-services agreement	The Group has implemented one of the 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.
2.	Develop business in columbarium in Taiwan	The Group is in the process of negotiating the terms with the owner of the columbarium.
3.	Purchase of funeral service equipment and facilities	The Group is conducting the feasibility study on advanced equipment and facilities designated for funeral.
4.	Refurbishment of new and existing service centres	The Group has started the decoration and improvement of funeral parlour and services centres.
5.	Expansion of marketing network	The Group has started the establishment of the website.

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 2009, 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 2009	**Actual use of proceeds from the date of listing to 31 December 2009**
	RMB'000	*RMB'000*
Expand funeral services network in other major cities by entering into funeral-services agreement	12,960	2,617
Develop business in columbarium in Taiwan	11,560	–
Purchase of funeral service equipment and facilities	28,600	19
Refurbishment of new and existing service centres	17,516	396
Expansion of marketing network	650	12

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

Due to the above reasons and certain expansion activities were postponed, the net proceeds applied during the period from the Listing Date to 31 December 2009 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 2009 will be revisited in the first half of 2010.

All the remaining proceeds as at 31 December 2009 had been placed as interest bearing deposits in banks.

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. Except for the deviations from code A.2.1, the Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules since its shares listed on GEM of the Stock Exchange on 9 September 2009. This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules since its shares listed on GEM of the Stock Exchange on 9 September 2009. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors from the Listing Date and up to 31 December 2009.

Board of Directors

As at 31 December 2009, the Board comprises two executive Directors, two non-executive Directors and four independent non-executive Directors as follows:

Executive Directors

Mr. Liu Tien-Tsai
Mr. Kim Eun Back

Non-executive Directors

Mr. Niu Tse-Cheng
Mr. Zheng Yimin

Independent non-executive Directors

Mr. Ching Clement Yat-biu
Mr. Chai Chung Wai
Mr. Lam Ying Hung Andy
Mr. Luo Xuegang

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 "Biographical Information of Directors and Senior Management" on pages 20 to 23 of this annual report.

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance and internal control of the Group's business operations. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The Board delegates day-to-day activities to the management with department heads responsible for different aspects of the business. Management is required to present an annual budget and any proposal for major investments and changes in business strategies for the Board's approval. The non-executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on Audit Committee, Remuneration Committee and Nomination Committee.

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 and at least one of them has appropriate professional qualifications or 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.

The Board normally should schedule four meetings a year at quarterly interval and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. Since the Company's shares listed on GEM of the Stock Exchange on 9 September 2009 and up to 31 December 2009, the Board held 1 meeting. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend. The following table shows the attendance of individual Directors at the meetings held during the year:

Mr. Liu Tien-Tsai	1/1
Mr. Kim Eun Back	1/1
Mr. Niu Tse-Cheng	1/1
Mr. Zheng Yimin	1/1
Mr. Ching Clement Yat-biu	1/1
Mr. Chai Chung Wai	1/1
Mr. Lam Ying Hung Andy	1/1
Mr. Luo Xuegang	1/1

Board papers are circulated at least 3 days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1, the roles of chairman and chief executive officer should be separate 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.

Appointment, Re-Election and Removal

Under the 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, Mr. Lam Ying Hung Andy, Mr. Luo Xuegang, the independent non-executive Directors has 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.

Nomination of Directors

According to recommended best practices A.4.4 of the Code, the listed issuers are recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors.

The Company established a nomination committee in August 2009 with written terms of reference in compliance with the Code. The principal duties of the nomination committee are to identify and nominate suitable candidates for the appointment of the Directors and make recommendations to the Board on succession planning for the Directors. The nomination committee comprises four independent non-executive Directors, namely Mr. Luo Xuegang (chairman of the nomination committee), Mr. Ching Clement Yat-biu, Mr. Lam Ying Hung Andy, Mr. Chai Chung Wai.

No meeting has been held by the nomination committee from the Company's shares listed on GEM of the Stock Exchange on 9 September 2009 to 31 December 2009.

Remuneration Committee

The Company established a remuneration committee in August 2009 with written terms of reference in compliance with the Code. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of our Directors and senior management. The remuneration committee comprises four independent non-executive Directors, namely Mr. Chai Chung Wai (chairman of the remuneration committee), Mr. Ching Clement Yat-biu, Mr. Lam Ying Hung Andy, Mr. Luo Xuegang.

No meeting has been held by the remuneration committee from the Company's shares listed on GEM of the Stock Exchange on 9 September 2009 to 31 December 2009.

Auditors' Remuneration

For the year ended 31 December 2009, the remuneration paid to the auditors, CCIF CPA Limited in respect of audit services amounted to RMB1,128,000 (2008: RMB Nil) and non-audit service assignment amounted to RMB5,000 (2008: RMB Nil).

Audit Committee

The Company established an audit committee in August 2009 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The audit committee has four members comprising four independent non-executive Directors, namely Mr. Ching Clement Yat-biu (chairman of the audit committee), Mr. Luo Xuegang, Mr. Lam Ying Hung Andy, Mr. Chai Chung Wai.

A meeting was held in the year under review and all members have attended the meeting.

The audit committee reviews the quarterly, half-yearly and annual reports before submission to the Board. The audit committee focuses 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.

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.

Internal Control

The Board recognises the importance of maintaining an adequate and effective internal control system to safeguard the Company's assets against unauthorised use of disposition, and to protect the interests of shareholders of the Company. Senior management assumes the overall responsibility for reviewing the adequacy and integrity of the Group's internal control system with the guidance of the executive Directors.

During the year, the Board has discussed and reviewed the internal control system and the relevant proposal made by senior management in order to ensure an adequate and effective system of internal control.

Financial Reporting

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The auditors are responsible to form an independent opinion based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

Directors and Senior Management

Directors

Executive Directors

Mr. Liu Tien-Tsai (劉添財), aged 51, 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 had 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 the lecturer holding seminars on the skills of being a ceremonial master and cosmetology at 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 the professor of the Funeral Service Department of Changsha Social Work College, Hunan (湖南省長沙民政職業技術學院) and an honorary member of China Funeral Association (中國殯葬協會) in the PRC. Mr. Liu has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Mr. Kim Eun Back (金彥博), aged 43, 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 Politics 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 has 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 public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Non-executive Directors

Mr. Niu Tse-Cheng (鈕則誠), aged 56, is a non-executive Director of the Group. Mr. Niu Tse-Cheng has no relationship with the Group and its connected persons other than being a Director of the Company. He joined the Group in February 2009 and was appointed a non-executive Director on 16 February 2009. Mr. Niu obtained his doctorate degree in literature from the Fu Jen Catholic University (私立輔仁大學) (also known as 天主教輔仁大學) in 1988. He had been the adjunct professor of the Graduate Institute of Philosophy of the National Central University (國立中央大學), Taiwan and the Institute of Life and Death Education and Conseling of the National Taipei College of Nursing (國立台北護理學院). He has made publications related to mortuary science and funeral service and has conducted research in these areas. Mr. Niu is a full-time professor of the National Central University (國立中央大學) and the dean of the Faculty of Social Sciences of the Ming Chuan University (銘傳大學). Mr. Niu has been a chief officer (理事長) of the Chinese Society of Life and Death Studies (中華生死學會) and chief supervisor (監事長) of the Funeral Education Association of Chinese (中華殯葬教育學會). Mr. Niu has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Mr. Zheng Yimin (鄭一民), aged 75, is a non-executive director of the Company. Mr. Zheng Yimin has no relationship with the Group and its connected persons other than being a Director of the Company. Mr. Zheng obtained a certificate in journalism from the Institute of Journalism of China (中華新聞函授學院) and his degree in sociology from the China Social Correspondence University (中國社會學函授大學) in July 1986 and August 1987 respectively. Mr. Zheng had been the head of the Settlement Bureau (安置司) at the Ministry of Civil Affairs of the PRC prior to joining the Group. Mr. Zheng has not served in any 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 43, 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 in 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 and an associate of the Institute of Chartered Accountants in England and Wales. Mr. Chai has extensive experience of over 18 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 65, 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 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. Lam Ying Hung Andy (林英鴻), aged 44, 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. Lam has over 20 years of experience in logistics, accounting, banking and finance industries. Mr. Lam is the managing consultant of Lontreprise Consulting Limited.

Mr. Lam had been the finance director and administrative accountant in two logistics companies. Mr. Lam had also been a deputy manager and business development manager in various banks prior to joining the Company. Mr. Lam obtained his master degree of professional accounting and a master degree in E-commerce For Executives from the Hong Kong Polytechnic University in December 1999 and November 2004 respectively. Mr. Lam is also a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants and has been elected as an associate of the Hong Kong Institute of Bankers in 1995. He served as the honorary treasurer in Hong Kong-Guangxi Youth Association. Mr. Lam was the independent non-executive director of Sino Haijin Holdings Limited (formerly known as Innovis Holdings Limited) (Stock Code: 8065), which is a company listed on the GEM, in September 2004. He is also the independent non-executive director appointed by Xingfa Aluminum Holdings Limited (Stock Code: 0098) and CT Holdings (International) Limited (Stock Code: 1008), both are companies listed on the Stock Exchange.

Mr. Luo Xuegang (羅學港), aged 59, is an independent non-executive Director of the Group. He joined the Group in February 2009 and was appointed an independent non-executive Director on 16 February 2009. In 1986, Mr. Luo obtained a master degree from Hunan Medical College (湖南醫學院) (now known as Xiangya School of Medicine of Central South University (中南大學湘雅醫學院)). Mr. Luo is currently the head of the Department of Anatomy and Neurology of Xiangya School of Medicine, Central South University (中南大學湘雅醫學院) and the Research and Preservation Centre of the Ancient Corpuses and the Cultural Relics of Hunan (湖南省馬王堆古屍和文化研究保護中心). Mr. Luo has worked in Xiangya School of Medicine, Central South University since 1973. Mr. Luo has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Senior Management

Mr. Wang Shun Lang (王順郎), aged 42, joined the Group in September 2008 and is the general manager 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 of Xibao Technology since January 2009, he is responsible for the sales, marketing and overall business development in the PRC. 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 31, 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 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 operation, 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 8 years of experience in management in respect of the Group's business and operation.

Mr. Wei Qing Tian (魏慶田), aged 43, graduated from Taiwan I-Ning High School (宜寧高級中學, formerly known as I-Ning Middle School (宜寧中學). He obtained a qualification of a funeral specialist from National Sun Yat-Sen University (國立中山大學) in July 2003. Mr. Wei joined the Group in August 2003 and is currently the deputy general manager of Tian Fu. He is responsible for the sales and marketing of Tian Fu. Mr. Wei is the head of the PRC internal compliance team of environmental protection. He also provides funeral services training to the Group's staff. Mr. Wei has acquired solid management abilities through serving the Group in various ways including training the ceremonial masters and overseeing their work, conducting market surveys, promoting and marketing the funeral services provided by the Group, and monitoring the work of the staff responsible for marketing.

Mr. Xu Hao (徐浩), aged 52, graduated from Sichuan Broadcasting and TV University (四川廣播電視大學) with a bachelor degree in jurisprudence in 1988. Mr. Xu joined the Group in September 2006 and is currently the deputy general manager of Jiang Nan. He is responsible for the overall management and marketing of Jiang Nan. He is the member of the PRC internal compliance team of environmental protection. Mr. Xu had worked in different corporations including hotel, industrial enterprise, university, telecommunication engineering academy and support services management company.

Ms. Miao Yu Jing (苗雨菁), aged 52, graduated from the Academy of Communist Party in Chongqing (中共重慶市委黨校). She joined the Group in June 2007 and is currently the manager of Xibao Technology. She is currently the deputy general manager of Yibin and is responsible for the overall management and marketing of Yibin. She is the member of the PRC internal compliance team of the Group and she provides funeral services training to the Group's staff. Ms. Miao obtained the qualification of an administrator from Chongqing Supply and Marketing Cooperatives. Prior to joining the Group, Ms. Miao was the department head of human resources of a fruit company in Chongqing and the general manager of a subsidiary of the same company, whereby she had accumulated extensive experience in dealing with government authorities and administrative departments and personnel management.

Ms. Zhang Ren You (張仁佑), aged 51, graduated from the Academy of Communist Party in Chongqing (中共重慶市委黨校) with qualification on economics management in June 2001 and she joined the Group in July 2008 as the manager of Xizhou Service. Ms. Zhang is responsible for the management and administration of Jiang Nan. She is the member of the PRC internal compliance team. Ms. Zhang Yin Yiu has over 22 years of managerial experience in handling the administration and management work.

Mr. Chen Yuan Ke (陳元科), aged 25, graduated from the Moscow State University in Russia with a bachelor's degree in sociology in May 2006. Mr. Chen joined the Group in December 2008 as the executive assistant of Mr. Wang Shun Lang. He is also responsible for sales and promotion and the business development in the PRC. He is the member of the PRC internal compliance team.

Company Secretary

Mr. Mok Yu Ting (莫裕庭), aged 33, 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 has been 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 ten years of experience in auditing, accounting and financial management.


"Life is a
Continuous Cycle"

Directors' Report

Directors' Report

The Board is pleased to present the annual report and the audited consolidated financial statements for the year ended 31 December 2009.

Principal Activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 41 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 profit for the year ended 31 December 2009 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 37 to 88.

The Board does not recommend the payment of any dividend for the year ended 31 December 2009.

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 the 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 develop business in columbarium in Taiwan, and;

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

All the remaining proceeds as at 31 December 2009 had been placed as interest bearing deposits in banks.

Summary of Financial Information

	Year ended 31 December		
	2009	**2008**	**2007**
	RMB'000	RMB'000	RMB'000
Turnover	**47,544**	41,481	36,948
Gross profit	**34,138**	29,274	21,389
Profit before tax	**16,780**	4,034	11,934
Profit attributable to owners of the Company	**12,463**	2,128	7,555
Basic earnings per share (RMB cents)	**2.48**	0.47	1.68

	As at 31 December		
	2009	**2008**	**2007**
	RMB'000	RMB'000	RMB'000
Non-current assets	**38,747**	33,031	40,855
Current assets	**222,561**	132,493	117,423
Current liabilities	**126,344**	142,155	133,070
Net assets	**121,610**	9,162	8,592

Major Customers and Suppliers

Since the Group is principally engaged in the provision of funeral services, which is retail in nature, 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 48.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to 39.5%.

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.

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 17 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 33 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 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2009, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately RMB76.2 million.

Directors' Report

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

Non-executive Directors
Mr. Niu Tse-Cheng
Mr. Zheng Yimin

Independent non-executive Directors
Mr. Ching Clement Yat-biu
Mr. Chai Chung Wai
Mr. Lam Ying Hung Andy
Mr. Luo Xuegang

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. Kim Eun Back, Mr. Zheng Yimin and Mr. Lam Ying Hung Andy 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 23 of this annual report.

Directors' Service Agreement

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 9 September 2009 unless terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 9 September 2009 unless terminated by not less than three months' written notice served by either party on the other.

Each of the independent non-executive Directors namely, Mr. Ching Clement Yat-biu, Mr. Chai Chung Wai, Mr. Lam Ying Hung Andy and Mr. Luo Xuegang has respectively entered into a letter of appointment with the Company for a term of three years commencing on 9 September 2009 unless terminated by not less than one months' notice in writing served by either party on the other.

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 11 to the consolidated financial statements.

Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, 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%

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the registered required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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 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	Personal	36,632,000	5.88%
(note 1)	Family interest	9,160,000	1.47%
Yu WenPing *(note 1)*	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.

Directors' Interests in Contracts

Save as disclosed in note 36 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 "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its 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 16 February 2009, 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 Sciences Technology Co., Ltd (寶山生命科技股份有限公司), a subsidiary of the Company ("Bau Shan") 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, Chongqing Xibao Funeral Technology Company Limited (重慶錫寶殯儀科技有限公司), a subsidiary of the Company ("Xibao Technology"), 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. The notional rent or license fee determined with reference to the valuation report for the office registration purpose is RMB2,000 per calendar month. The Independent Valuer to the Group opines that the rent of RMB2,000 per month for the Licensed Property represents the market rent. 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.

Exempted Discontinued Connected Transactions

Signing of Deed of Trust

On 15 August 2005, a deed of trust (the "Long Hua Deed") was entered into between Bau Shan and Mr. Chen Chun Fu ("Mr. Chen") (陳重甫), the director of Bau Shan, in relation to the property situated in Taiwan at Nos. 1091, 1092, 1092-1 and Building No. 659 of Lot 7 in Section Longhua, Gushan District, Kaohsiung City (高雄市鼓山區龍華段七小段1091地號、1092地號、1092-1地號and 659建號) (the "Long Hua Properties"). Under the Long Hua Deed, Bau Shan agreed that the Long Hua Properties, which are owned by Bau Shan, shall be registered in the name of and held on trust by Mr. Chen for Bau Shan for a term of 5 years commencing on 15 August 2005. Mr. Chen has agreed that he shall act in the interest of Bau Shan in relation to the Long Hua Properties.

Although there is no legal impediment to the transfer of the Long Hua Properties back to the Group, the Group entered into a trust arrangement instead of transferring the Long Hua Properties to the Group because the bank would grant a natural individual applicant a larger amount of loan at a lower interest rate compared to that of those of a corporation.

The Taiwan legal adviser to the Group has advised that the Long Hua Deed complies with the Trust Act and other relevant laws and reputations in Taiwan.

Mr. Chen was resigned as the Director of Bau Shan on 22 December 2009.

Loan Liability Assumption Deed
On 15 August 2005, a deed of assumption of loan liability (the "Loan Liability Assumption Deed") was entered into between Bau Shan and Mr. Chen, whereby Bau Shan agreed to assume and be responsible for the loan liability of Mr. Chen under the monetary consumption loan agreement dated 12 August 2005 entered into between Mr. Chen and a bank in Taiwan (the "Taiwanese Bank"), an Independent Third Party. The Long Hua Properties were pledged to the Taiwanese Bank to secure the loan. By doing so, Bau Shan enjoyed the benefit of a lower interest rate for a loan granted to an individual compared to that of a loan granted to a corporate entity.

The principal amount of the loan is NTD9,000,000 (equivalent to approximately RMB1,877,000) with the saving rate plus a rate of a range from 0.301% to 1.164% as the interest rate. During the year, the interest payable by the Group was approximately RMB38,000), (2008: approximately RMB75,000) and approximately. The purpose of the loan is to acquire the Long Hua Properties. At the time of application for the loan from the relevant bank, the Company was informed that the interest rate for a loan granted to an individual borrower, such as Mr. Chen (being calculated at 2.087% per annum), was lower than the interest rate for a loan granted to a corporate borrower (being calculated at 6.62% per annum). Hence, it was then decided that Mr. Chen should take up the loan instead of the Company. The property served as the office premises of the Company until July 2007, when the Company's office was relocated to the present premises. The property has been left vacant since July 2007 as it is intended to serve as the sales office for columbarium.

The Taiwan legal adviser to the Group has advised that it is legal for the Group to assume the loan liability of Mr. Chen and the Loan Liability Assumption Deed is legally valid in Taiwan.

The loan has been accounted for in the consolidation financial statement as "other loans".

Mr. Chen was resigned as the Director of Bau Shan on 22 December 2009.

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 36 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.

Directors' Interest in a Competing Business

During the year, save as disclosed in the Prospectus, 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 2009 are set out in note 28 to the consolidated financial statements.

Retirement Schemes

Particulars of the retirement schemes of the Group are set out in note 16 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 set out in Rule 5.46 of the GEM Listing Rules – Model Code for Securities Transactions by Directors of Listed Companies. 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 2009.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Since the Scheme has become effective on 9 September 2009, no share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 31 December 2009.

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

The Board considered that the Company had complied with the code provisions set out in the Code of Corporate Governance Practices (the "Code") as stipulated in Appendix 15 to the GEM Listing Rules during the year, except for the deviations from code provision A.2.1.

The Group's compliance with the code provisions is set out in the Corporate Governance Report from page 16 to page 19 of this annual report.

Events After the Reporting Period

Details of the significant events after the reporting period of the Group are set out in note 42 to the consolidated financial statements.

Interests of the Compliance Adviser

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

Auditors

CCIF CPA Limited has acted as auditors of the Company for the year ended 31 December 2009.

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, 22 March 2010

CCIF

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
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 (collectively referred to as the "Group") set out on pages 37 to 88, which comprise the consolidated and company statements of financial position as at 31 December 2009, 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 notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 2009 and of the Group's profit 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, 22 March 2010
Kwok Cheuk Yuen
Practising Certificate Number P02412

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover	6	**47,544**	41,481
Cost of sales		**(13,406)**	(12,207)
Gross profit		**34,138**	29,274
Other revenue	7	**7,295**	898
Other net gain/(loss)	7	**4,271**	(3,700)
Selling expenses		**(11,731)**	(10,097)
Administrative expenses		**(14,368)**	(10,484)
Other operating expenses		**(2,101)**	(812)
Finance costs	8	**(724)**	(1,045)
Profit before taxation	9	**16,780**	4,034
Income tax expense	10	**(4,317)**	(1,906)
Profit for the year		**12,463**	2,128
Other comprehensive loss for the year			
(after tax and reclassification adjustments)	12		
Surplus/(deficit) on revaluation of land and buildings held for own use		**526**	(2,521)
Exchange differences on translation of financial statements of foreign operations		**(965)**	467
Other comprehensive loss for the year, net of tax		**(439)**	(2,054)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,024**	74
Profit attributable to:			
Owners of the Company	13	**12,463**	2,128
Minority interest		**—**	—
		12,463	2,128
Total comprehensive income attributable to:			
Owners of the Company		**12,024**	74
Minority interest		**—**	—
		12,024	74
Earnings per share	14		
Basic and diluted		**RMB2.48 cents**	RMB0.47 cents

The notes on pages 43 to 88 are integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**38,741**	33,023
Intangible assets	18	**6**	8
Available-for-sale financial assets	19	**–**	–
		38,747	33,031
CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss	20	**42,326**	39,569
Inventories	21	**242**	162
Trade and other receivables	22	**67,264**	77,336
Cash and bank balances	25	**112,729**	15,426
		222,561	132,493
CURRENT LIABILITIES			
Trade and other payables	26	**3,659**	2,798
Receipt in advance	27	**118,218**	118,923
Current portion of bank borrowings	28	**1,484**	959
Current portion of other loans	29	**267**	229
Current portion of obligation under finance lease	30	**–**	1
Current tax liabilities	31	**2,716**	3,142
Convertible bonds	32	**–**	16,103
		(126,344)	(142,155)
NET CURRENT ASSETS/(LIABILITIES)		**96,217**	(9,662)
TOTAL ASSETS LESS CURRENT LIABILITIES		**134,964**	23,369
NON-CURRENT LIABILITIES			
Bank borrowings	28	**11,031**	11,641
Other loans	29	**2,323**	2,566
		(13,354)	(14,207)
NET ASSETS		**121,610**	9,162
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	33	**58,706**	366
Reserves	34	**62,904**	8,796
		121,610	9,162
Minority interest		**—**	—
TOTAL EQUITY		**121,610**	9,162

Approved and authorised for issue by the Board of Directors on 22 March 2010.

Liu Tien-Tsai	**Kim Eun Back**
Chairman	Executive Director

The notes on pages 43 to 88 are integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	41	**42,830**	42,830
Intangible assets	18	**4**	5
		42,834	42,835
CURRENT ASSETS			
Trade and other receivables	22	**32,798**	22,572
Cash and bank balances	25	**68,337**	728
		101,135	23,300
CURRENT LIABILITIES			
Trade and other payables	26	**5,952**	7,186
Convertible bonds	32	**–**	16,103
		(5,952)	(23,289)
NET CURRENT ASSETS		**95,183**	11
NET ASSETS		**138,017**	42,846
CAPITAL AND RESERVES			
Share capital	33	**58,706**	366
Reserves	34	**79,311**	42,480
TOTAL EQUITY		**138,017**	42,846

Approved and authorised for issue by the Board of Directors on 22 March 2010.

Liu Tien-Tsai
Chairman

Kim Eun Back
Executive Director

The notes on pages 43 to 88 are integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company											
	Share capital	Share premium	Merger reserve	Statutory reserve	Statutory surplus reserve	Properties revaluation reserve	Foreign currency translation reserve	Convertible bonds equity reserve	Accumulated losses	Total	Minority interest	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	**366**	**39,624**	**(16,261)**	**225**	**111**	**2,846**	**2,445**	**–**	**(20,764)**	**8,592**	**–**	**8,592**
Comprehensive income												
Profit for the year	–	–	–	–	–	–	–	–	2,128	2,128	–	2,128
Other comprehensive income												
Deficit on revaluation of land and buildings held for own use	–	–	–	–	–	(2,521)	–	–	–	(2,521)	–	(2,521)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	467	–	–	467	–	467
Total other comprehensive income	–	–	–	–	–	(2,521)	467	–	–	(2,054)	–	(2,054)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(2,521)**	**467**	**–**	**2,128**	**74**	**–**	**74**
Transactions with owners												
Convertible bonds – equity component, net of tax	–	–	–	–	–	–	–	496	–	496	–	496
Profit appropriation to reserves	–	–	–	–	404	–	–	–	(404)	–	–	–
Total transactions with owners	**–**	**–**	**–**	**–**	**404**	**–**	**–**	**496**	**(404)**	**496**	**–**	**496**
At 31 December 2008 and 1 January 2009	**366**	**39,624**	**(16,261)**	**225**	**515**	**325**	**2,912**	**496**	**(19,040)**	**9,162**	**–**	**9,162**
Comprehensive income												
Profit for the year	–	–	–	–	–	–	–	–	12,463	12,463	–	12,463
Other comprehensive income												
Surplus on revaluation of land and buildings held for own use	–	–	–	–	–	526	–	–	–	526	–	526
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(965)	–	–	(965)	–	(965)
Total other comprehensive income	–	–	–	–	–	526	(965)	–	–	(439)	–	(439)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**526**	**(965)**	**–**	**12,463**	**12,024**	**–**	**12,024**
Transactions with owners												
Issue of shares on full conversion of convertible bonds	62	16,663	–	–	–	–	–	(496)	–	16,229	–	16,229
Capitalisation issue	43,049	(43,049)	–	–	–	–	–	–	–	–	–	–
Issue of shares under public placing	13,246	81,973	–	–	–	–	–	–	–	95,219	–	95,219
Issue of shares on exercise of over-allotment options	1,983	12,296	–	–	–	–	–	–	–	14,279	–	14,279
Expenses incurred in connection with the issue of shares	–	(25,303)	–	–	–	–	–	–	–	(25,303)	–	(25,303)
Profit appropriation to reserves	–	–	–	–	323	–	–	–	(323)	–	–	–
Total transactions with owners	**58,340**	**42,580**	**–**	**–**	**323**	**–**	**–**	**(496)**	**(323)**	**100,424**	**–**	**100,424**
At 31 December 2009	**58,706**	**82,204**	**(16,261)**	**225**	**838**	**851**	**1,947**	**–**	**(6,900)**	**121,610**	**–**	**121,610**

The notes on pages 43 to 88 are integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**16,780**	4,034
Adjustments for:			
Amortisation of intangible assets		**2**	1
Finance costs		**724**	1,045
Surplus on revaluation of land and buildings held for own use		**(56)**	(358)
Depreciation		**1,325**	665
Impairment loss on property, plant and equipment		**–**	166
Interest income		**(35)**	(14)
Net (gain)/loss on financial assets designated as at fair value through profit or loss		**(4,098)**	4,793
Net gain on disposal of available-for-sale financial assets		**–**	(8)
		(2,138)	6,290
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		**14,642**	10,324
Increase in inventories		**(80)**	(89)
Increase in prepayments, deposits and other receivables		**(649)**	(12,604)
Decrease in trade receivables		**21**	67
Decrease in financial assets designated as at fair value through profit or loss		**2,058**	4,383
Increase in trade payables		**109**	324
Increase in accruals and other payables		**748**	327
(Decrease)/increase in receipt in advance		**(2,634)**	1,063
		(427)	(6,529)
CASH GENERATED FROM OPERATIONS		**14,215**	3,795
Income tax paid			
Taiwan enterprise income tax paid		**(3,152)**	(227)
PRC enterprise income tax paid		**(1,621)**	(1,083)
		(4,773)	(1,310)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**9,442**	2,485
INVESTING ACTIVITIES			
Decrease/(increase) in due from a director		**5,765**	(5,381)
Decrease in due from a related company		**–**	9,858
Decrease/(increase) in due from related parties		**5,589**	(5,970)
Payment for acquisition of property, plant and equipment		**(6,082)**	(5,702)
Proceeds from disposal of property, plant and equipment		**–**	2
Expenditure on intangible assets		**–**	(5)
Increase in fixed deposits		**(68,363)**	–
Proceeds from disposal of available-for-sale financial assets		**–**	8,104
Interest received		**35**	14
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(63,056)**	920

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
FINANCING ACTIVITIES			
Capital element of finance lease rentals paid		**(1)**	(20)
Interest element of finance lease rentals paid		**–**	(1)
Repayment of bank borrowings		**(289)**	(346)
Interest on bank borrowings		**(274)**	(480)
Repayment of other loans		**(246)**	(375)
Interest on other loans		**(100)**	(185)
Proceeds from issue of new shares		**109,498**	–
Expenses incurred in connection with the issue of shares		**(25,303)**	–
Proceeds from issue of convertible bonds		**–**	16,227
Effective interest expenses on convertible bonds		**(350)**	(379)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**82,935**	14,441
NET INCREASE IN CASH AND CASH EQUIVALENTS		**29,321**	17,846
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(319)**	(4,346)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**15,426**	1,926
CASH AND CASH EQUIVALENTS AT END OF YEAR		**44,428**	15,426
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank and in hand	25	**44,428**	15,426

The notes on pages 43 to 88 are integral part of these consolidated 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 Companies Law (2004 Revision). Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 September 2009.

The Company is principally engaged in investment holding. The subsidiaries are mainly engaged in the provision of funeral services in Taiwan 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 Room 1806, 18th Floor, Dominion Centre, 43–59 Queen's Road East, Hong Kong respectively.

The Company's functional currency is Hong Kong dollars ("HK$") while the functional currencies of its subsidiaries are Renminbi ("RMB"), New Taiwan dollars ("NTD") and HK$. These consolidated financial statements are presented in RMB, rounded up to the nearest thousand, except when otherwise indicated, as majority of the Group's transactions are denominated in RMB.

2. Group Restructuring and Basis of Presentation of Consolidated Financial Statements

Under a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company has become the ultimate holding company of the Group on 21 December 2007.

The principal steps of the Group Reorganisation, which involved the exchange of shares, were as follows:

1. On 1 June 2007, Chongqing Xibao Funeral Technology Company Limited（重慶錫寶殯儀科技有限公司）("Xibao Technology") acquired the 100% equity interests in Chongqing Xizhou Funeral Service Company Limited（重慶錫周殯葬服務有限公司）("Xizhou Service") from Mr. Liu Tien-Tsai ("Mr. Liu") for a consideration of RMB300,000.

2. On 12 July 2007, the Company acquired the 55.5% and 43.15% equity interests in Bau Shan Life Science Technology Co., Ltd.（寶山生命科技股份有限公司）("Bau Shan"), which had 83.33% equity interests in Bau De Funeral Services Holdings Co., Ltd.（寶德生命事業股份有限公司）("Bau De"), from Mr. Liu and independent third parties for a consideration of NTD91,714,900 (equivalent to approximately RMB23,773,000) and NTD71,290,000 (equivalent to approximately RMB18,478,000) respectively. The Company acquired the remaining 1.35% equity interests in Bau Shan at a consideration of NTD2,235,100 (equivalent to approximately RMB579,000) from independent third parties on 5 November 2007.

3. On 20 December 2007, the Company acquired the 100% equity interests in Full Spread (China) Limited（弘揚(中國)有限公司）("Full Spread"), from GNL07 Limited, a nominee shareholder of Full Spread, for a consideration of HK$1.

4. On 21 December 2007, Full Spread acquired the 100% equity interests in Xibao Technology from Mr. Liu for a consideration of US$819,985 (equivalent to approximately RMB6,251,000).

The Group resulting from the above mentioned Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") under which the consolidated financial statements have been referred as if the Company had been the holding company of the subsidiaries comprising the Group throughout the period.

3. Adoption Of New and Amended Hong Kong Financial Reporting Standards ("HKFRSs")

The HKICPA has issued a number of Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("HK(IFRIC)–Int") (hereinafter collectively referred to as the "New HKFRSs") which are first effective for the Group's financial year beginning on 1 January 2009. For the purposes of preparing and presenting the consolidated financial statements, the Group has adopted all of the New HKFRSs that are mandatory for the first time for the financial period beginning on 1 January 2009.

Up to the date of issue of these financial statements, the HKICPA has issued the following New HKFRSs which are not yet effective for the year ended 31 December 2009.

The Group has not early applied any of the following New HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRSs as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

4. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and certain financial instruments at fair value through profit or loss. In addition, the consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and disclosure requirement of the Hong Kong Companies Ordinance.

(b) Basis of preparation of the financial statements

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4. Significant Accounting Policies (Continued)

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

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 5.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are stated at cost less provision for impairment losses in the statement of financial position of the Company. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent accumulated impairment losses. Freehold land is stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve, except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of comprehensive income to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable properties revaluation reserve is transferred to retained profits/accumulated losses and is not reclassified to consolidated statement of comprehensive income.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

4. Significant Accounting Policies (Continued)

(d) Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from the continue use of the assets. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

Construction in progress is stated at cost which includes all development expenditure and other direct costs, including borrowing cost capitalised, attributable to such construction. They are not depreciated until completion of construction and the asset is put into use. Cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives after considering the residual values, using the straight line method at the following rates per annum:

Buildings	2%
Leasehold improvements	33.33%
Furniture, fixtures and office equipment	20% – 50%
Motor vehicles	20%

(e) 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 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.

(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 4(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(j). Finance charges implicit in the lease payments are charged to consolidated statement of comprehensive income 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*

Leases where substantially all the rewards and risk of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals receivables/payables under such operating leases are accounted for in the consolidated statement of comprehensive income on a straight-line basis over the periods of the respective lease.

(f) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. 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 consolidated statement of comprehensive income.

4. **Significant Accounting Policies** (Continued)

(f) Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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 financial asset 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 on 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 asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of 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 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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each end of the reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in consolidated statement of comprehensive income in the period in which they arise. The net gain or loss recognised in consolidated statement of comprehensive income excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and due from a director, related companies and parties) are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At the end of each reporting period subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in consolidated statement of comprehensive income.

For available-for-sale 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 instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

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 impaired where 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 financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of comprehensive income. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to consolidated statement of comprehensive income.

4. Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through consolidated statement of comprehensive income to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in consolidated statement of comprehensive income in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment losses.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expenses is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of 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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

4. Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

Financial liabilities at FVTPL (Continued)
At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in consolidated statement of comprehensive income in the period in which they arise. The net gain or loss recognised in consolidated statement of comprehensive income includes any interest paid on the financial liabilities.

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

Convertible bonds
Convertible bonds contains liability and equity components.

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in consolidated statement of comprehensive income upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in equity is reclassified from equity to statement of comprehensive income as a reclassification adjustment. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of comprehensive income.

4. Significant Accounting Policies (Continued)

(g) Intangible assets

Intangible assets represent trademark license acquired separately and with finite useful lives ranging from five to ten years are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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 the consolidated statement of comprehensive income when the asset is derecognised.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less further costs expected to be incurred for disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks with original maturities of three months or less.

(j) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

(k) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period 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) Retirement benefits costs

The Group makes contributions to defined contribution retirement schemes under the Mandatory Provident Fund Schemes ("MPF") Ordinance in Hong Kong, the assets of which are generally held in separate trustee administered funds. The pension plans are generally funded by payments from employees and by the Group. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

The Group also contributes to employee retirement schemes established by municipal governments in jurisdictions other than Hong Kong. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated statement of comprehensive income as incurred.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably committed 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.

4. Significant Accounting Policies (Continued)

(l) 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 the consolidated statement of comprehensive income except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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 difference, 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 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.

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.

4. Significant Accounting Policies (Continued)

(m) 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.

(n) 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 the consolidated statement of comprehensive income as follows:

(i) Provision of services

Revenue from the provision of cremation 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.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the 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 sale 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

(o) Foreign currency translation

(i) Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

4. Significant Accounting Policies (Continued)

(o) Foreign currency translation (Continued)

(i) *Transactions and balances* (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the statement of comprehensive income in the period in which they arise, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

(ii) *Group companies*

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into the presentation currency of the Group i.e., RMB, using the exchange rates prevailing at the end of each reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated seperately in equity under the heading of foreign currency translation reserve. On the disposal of a foreign operation, such translation differences are reclassified from equity to profit or loss as a reclassification adjustment when the gain or loss on disposal is recognised.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as being directly attributable to the acquisition, construction or production of as assets which takes a period of time to get ready for its intended use or sale.

Other borrowing costs are expensed and included in finance costs in the consolidated statement of comprehensive income in the year in which they are incurred.

(q) Related parties

For the purpose of these consolidated financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

4. Significant Accounting Policies (Continued)

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management 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 type or class of customers, the methods used to 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.

5. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of receivables

The Group makes provision for impairment of receivables based on an estimate of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying amount of the debtors and provision for impairment losses in the year in which such estimate has been changed.

(b) Estimated impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. 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.

(d) 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.

(e) 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.

6. Turnover and Segment Information

(a) Turnover

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

	2009 RMB'000	2008 RMB'000
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**22,686**	16,522
Cremation services	**11,278**	10,985
Funeral arrangement services	**13,580**	13,914
Others	**–**	60
	47,544	41,481

(b) Segment information

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Business information

In a manner consistent with the way in which information is reported internally to the Group's Executive Directors for the purposes of resources allocation and performance assessment, the Group has presented one reportable segment only. No operating segments have been aggregated to form the reportable segment.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, intangible assets and available-for-sale financial assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment. In the case of intangible assets and available-for-sale financial assets, it is the location of the operation to which they are allocated.

	Revenue from external customers		Specified non-current assets	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Taiwan	**13,580**	13,974	**27,209**	26,413
The PRC	**33,964**	27,507	**11,497**	6,538
Others	**–**	–	**41**	80
	47,544	41,481	**38,747**	33,031

During the year, in Taiwan, the Group is principally engaged in:

1. the sales of funeral services deeds which is accounted by the Group as receipt in advance; and

2. the provision of funeral arrangement services to both funeral services deed holders and non-funeral services deed holders, which are accounted by the Group as revenue.

In the PRC, the Group provided funeral and cremation services in funeral parlours and funeral service centers under the Group's management, pursuant to respective management agreements entered with the owners of funeral parlours and funeral service centers.

6. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Revenue from major services

	2009 RMB'000	2008 RMB'000
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**22,686**	16,522
Cremation services	**11,278**	10,985
Funeral arrangement services	**13,580**	13,914
	47,544	41,421

Information about major customers

For the years ended 31 December 2009 and 2008, revenue from any single customer does not amount to 10% or more of the Group's revenue.

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

	2009 RMB'000	2008 RMB'000
Other revenue		
Commission income	**6,409**	642
Interest income on financial assets not at FVTPL	**35**	14
Rental income from operating leases	**230**	8
Sundry income	**621**	234
	7,295	898
Other net gain/(loss)		
Changes in fair value of freehold land and buildings	**56**	358
Net exchange loss	**(378)**	–
Net gain on disposal of available-for-sale financial assets	**–**	8
Net gain on terminated and lapsed funeral services deeds	**495**	727
Net realised and unrealised gain/(loss) on financial assets designated as at FVTPL	**4,098**	(4,793)
	4,271	(3,700)
	11,566	(2,802)

8. Finance Costs

	2009 RMB'000	2008 RMB'000
Interests on:		
Bank borrowings and other loans		
– wholly repayable within 5 years	**120**	114
– not wholly repayable within 5 years	**254**	551
Finance charges on obligation under finance lease	**–**	1
Effective interest expenses on convertible bonds wholly repayable within 5 years	**350**	379
Total interest expenses on financial liabilities not at FVTPL	**724**	1,045

9. Profit Before Taxation

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

	2009 RMB'000	2008 RMB'000
Amortisation of intangible assets	**2**	1
Auditors' remuneration		
– audit services	**1,217**	95
– tax services	**5**	–
Cost of inventories sold	**3,217**	2,396
Depreciation		
– assets held for use under finance leases	**–**	12
– other assets	**1,325**	653
Impairment of property, plant and equipment	**–**	166
Listing expenses	**1,850**	–
Operating lease rental in respect of		
– rented premises	**284**	168
– hire of plant and equipment	**5**	146
– hire of funeral parlours and funeral service centres	**8,995**	7,731
Staff costs (including directors' remunerations *(note 11)*)		
– salaries, wages and allowances	**5,794**	5,207
– retirement benefit scheme contributions	**622**	565
	6,416	5,772

10. Income Tax Expense

	2009 RMB'000	2008 RMB'000
Provision of current tax for the year		
– *PRC Enterprise Income Tax (note (c))*	**1,638**	1,355
– *Taiwan Enterprise Income Tax (note (d))*	**2,654**	550
	4,292	1,905
Under-provision of current tax in prior years		
– PRC Enterprise Income Tax	**16**	–
– Taiwan Enterprise Income Tax	**9**	1
	25	1
	4,317	1,906

Note:

(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 2009 (2008: RMBNil).

(b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands for the years ended 31 December 2009 and 2008.

(c) The subsidiaries, Xibao Technology and Xizhou Service 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).

(d) Bau Shan, 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. No provision for enterprise income tax has been made for Bau De, an indirect subsidiary of the Company, as the subsidiary sustained losses during the year.

10. Income Tax Expense (Continued)

Note: (Continued)

Under the Corporate Income Tax Law of the 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 of 10% on various types of passive income such as dividends derived from sources in the PRC. 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. No deferred tax liabilities in respect of the withholding income tax on dividends has been recognised by the Group as the Company controls dividends policy of the Group's PRC subsidiaries.

Reconciliation between tax expense and accounting profit at applicable rates:

	2009 **RMB'000**	2008 RMB'000
Profit before taxation	**16,780**	4,034
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**4,634**	1,125
Tax effect of non-deductible expenses	**137**	1,519
Tax effect of non-taxable income	**(1,645)**	(1,028)
Tax effect of unused tax losses not recognised	**1,166**	289
Under-provision in prior years	**25**	1
Income tax expense	**4,317**	1,906

11. Directors' Remunerations and Individuals with Highest Emoluments

(a) Directors' remunerations

The directors of the Company were members of the senior management of the Group throughout the year. On the basis that these existing directors had already been appointed on 1 January 2008, details of the directors' remunerations paid by the Group can be summarised as follows:

	2009 **RMB'000**	2008 RMB'000
Fees	**330**	–
Salaries and allowances	**365**	159
Discretionary bonuses	**–**	11
Retirement benefit scheme contributions	**9**	–
	704	170

11. Directors' Remunerations and Individuals with Highest Emoluments (Continued)

(a) Directors' remunerations (Continued)

The remuneration of each of the directors for the years ended 31 December 2009 and 2008 are as follows:

2009					
Name of directors	**Fees**	**Salaries and allowances**	**Discretionary bonuses**	**Retirement benefit scheme contributions**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors					
Mr. Liu	**141**	**215**	**–**	**5**	**361**
Mr. Kim Eun Back	**33**	**150**	**–**	**4**	**187**
Non-executive directors					
Mr. Niu Tse-Cheng	**29**	**–**	**–**	**–**	**29**
Mr. Zheng Yimin	**29**	**–**	**–**	**–**	**29**
Independent non-executive directors					
Mr. Chai Chung Wai	**21**	**–**	**–**	**–**	**21**
Mr. Ching Clement Yat-biu	**21**	**–**	**–**	**–**	**21**
Mr. Lam Ying Hung Andy	**35**	**–**	**–**	**–**	**35**
Mr. Luo Xuegang	**21**	**–**	**–**	**–**	**21**
	330	**365**	**–**	**9**	**704**

2008					
Name of directors	Fees	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Liu	–	–	–	–	–
Mr. Kim Eun Back	–	159	11	–	170
Non-executive directors					
Mr. Niu Tse-Cheng	–	–	–	–	–
Mr. Zheng Yimin	–	–	–	–	–
Independent non-executive directors					
Mr. Chai Chung Wai	–	–	–	–	–
Mr. Ching Clement Yat-biu	–	–	–	–	–
Mr. Lam Ying Hung Andy	–	–	–	–	–
Mr. Luo Xuegang	–	–	–	–	–
	–	159	11	–	170

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 2009 and 2008. No emolument was paid to Mr. Liu for the year ended 31 December 2008 as Mr. Liu agreed not to receive remuneration for the year ended 31 December 2008.

11. Directors' Remunerations and Individuals with Highest Emoluments (Continued)

(b) Individuals with highest emoluments

The five highest paid individuals in the Group included two directors for the year ended 31 December 2009 (2008: one director), details of whose emoluments are set out above. The emoluments paid to the remaining highest paid employees during the year are as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and allowances	**608**	599
Discretionary bonuses	**13**	–
Retirement benefit scheme contributions	**11**	23
	632	622

The emoluments of the remaining three (2008: four) highest paid individuals fell within the following band:

	Number of individuals	
	2009	2008
Nil to HK$1,000,000 (equivalent to RMB880,600)	**3**	4

(c) No emoluments were paid by the Group to any of the three (2008: four) 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 2009.

12. Other Comprehensive Loss

Tax effects relating to each component of other comprehensive loss are as follows:

	2009			2008		
	Before-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Surplus /(deficit) on revaluation of land and buildings held for own use	**526**	**–**	**526**	(2,521)	–	(2,521)
Exchange differences on translation of financial statements of foreign operations	**(965)**	**–**	**(965)**	467	–	467
Other comprehensive loss	**(439)**	**–**	**(439)**	(2,054)	–	(2,054)

13. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company includes a loss of approximately of RMB5,155,000 (2008: RMB765,000) which has been dealt with in the financial statements of the Company.

14. Earnings per share

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB12,463,000 (2008: RMB2,128,000) and the weighted average of 502,952,000 ordinary shares (2008: 450,000,000) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2009 '000	2008 '000
Issued ordinary shares at 1 January	**450,000**	450,000
Effect of shares issued under public placing	**46,849**	–
Effect of over-allotment options exercised	**6,103**	–
Weighted average number of ordinary shares at 31 December	**502,952**	450,000
Earnings per share (RMB cent per share)	**2.48**	0.47

In determining the weighted average number of ordinary shares in issue, a total of 450,000,000 ordinary shares were deemed to be in issue since 1 January 2008.

(b) Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding for both years ended 31 December 2009 and 2008.

15. Dividends

The directors do not recommend payment of any dividend for the year ended 31 December 2009 (2008: RMB Nil).

16. Retirement Benefits Schemes

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement benefit scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries are required to made 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 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 Scheme Ordinance 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' earning as defined under the Mandatory Provident Fund legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month 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 new 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 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 schemes beyond the contribution described above.

17. 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 2008	21,661	8,723	895	788	278	251	32,596
Exchange differences	(1,608)	(673)	(1)	(42)	–	–	(2,324)
Additions	–	–	838	308	1,066	3,490	5,702
Disposals	–	–	–	–	(11)	–	(11)
Transfers	–	–	595	–	–	(595)	–
Deficit on revaluation	(1,120)	(588)	–	–	–	–	(1,708)
Less: elimination of accumulated depreciation	–	(138)	–	–	–	–	(138)
At 31 December 2008	18,933	7,324	2,327	1,054	1,333	3,146	34,117
Representing:							
Cost	–	–	2,327	1,054	1,333	3,146	7,860
Valuation–2008	18,933	7,324	–	–	–	–	26,257
	18,933	7,324	2,327	1,054	1,333	3,146	34,117
At 1 January 2009	18,933	7,324	2,327	1,054	1,333	3,146	34,117
Exchange differences	320	133	–	9	–	–	462
Additions	–	–	498	289	164	5,131	6,082
Transfers	–	–	2,539	–	–	(2,539)	–
Surplus on revaluation	274	246	–	–	–	–	520
Less: elimination of accumulated depreciation	–	(172)	–	–	–	–	(172)
At 31 December 2009	19,527	7,531	5,364	1,352	1,497	5,738	41,009
Representing:							
Cost	–	–	5,364	1,352	1,497	5,738	13,951
Valuation–2009	19,527	7,531	–	–	–	–	27,058
	19,527	7,531	5,364	1,352	1,497	5,738	41,009
Accumulated depreciation and impairment loss							
At 1 January 2008	–	–	19	435	30	–	484
Exchange differences	–	(44)	–	(30)	–	–	(74)
Charge for the year	–	182	240	113	130	–	665
Impairment loss	–	–	–	–	–	166	166
Disposals	–	–	–	–	(9)	–	(9)
Elimination on revaluation	–	(138)	–	–	–	–	(138)
At 31 December 2008 and 1 January 2009	–	–	259	518	151	166	1,094
Exchange differences	–	14	(1)	8	–	–	21
Charge for the year	–	158	721	179	267	–	1,325
Elimination on revaluation	–	(172)	–	–	–	–	(172)
At 31 December 2009	–	–	979	705	418	166	2,268
Carrying amount							
At 31 December 2009	19,527	7,531	4,385	647	1,079	5,572	38,741
At 31 December 2008	18,933	7,324	2,068	536	1,182	2,980	33,023

17. Property, Plant and Equipment (Continued)

(a) The Group (Continued)

In year 2008, the Group determined to impair construction in progress of approximately RMB166,000 due to the cancellation of development plan in the PRC.

The impairment loss of construction in progress have been included in the line item of other operating expenses in the consolidated statement of comprehensive income. The recoverable amounts of the relevant assets have been determined on the basis of their fair value less costs to sell, determined by reference to the recent observable market prices for similar assets within the same industry.

(b) The freehold land and buildings held by the Group for own use were revalued as at 31 December 2009 and 2008 at their open market value by reference to recent market transactions for similar properties. The valuations were carried out by Castores Magi (Hong Kong) Limited, an independent firm of chartered surveyors with recent experience in the location and category of properties being valued.

Surplus of RMB526,000 (2008: deficit of RMB2,521,000) and surplus of RMB56,000 (2008: surplus of RMB358,000) on revaluation of freehold land and buildings have been recognised in other comprehensive income and accumulated in properties revaluation reserve and profit for the year respectively.

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

	2009 **RMB'000**	2008 RMB'000
Freehold land	**19,902**	19,573
Buildings	**5,928**	5,957
	25,830	25,530

(c) The analysis of carrying amount of properties is as follows:

	2009 **RMB'000**	2008 RMB'000
In Taiwan		
Freehold land	**19,527**	18,933
Buildings	**7,531**	7,324
	27,058	26,257

(d) The carrying amount of the Group's furniture and fixtures held under a finance lease is approximately RMB9,000 as at 31 December 2008. The finance lease was fully settled during the year.

(e) The carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings and other loans were approximately RMB25,379,000 as at 31 December 2009 (2008: RMB24,633,000).

(f) During the year, certain of the Group's properties, including freehold land and buildings situated in Taiwan were held under trust arrangements. As at 31 December 2009, the carrying amount of the freehold land and buildings held under the trust arrangements were approximately RMB4,255,000 (2008: RMB4,156,000) and RMB1,307,000 (2008: RMB1,278,000) respectively.

18. Intangible Assets

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trademark licence				
Cost:				
At 1 January	**19**	14	**5**	–
Additions	**–**	5	**–**	5
At 31 December	**19**	19	**5**	5
Accumulated amortisation:				
At 1 January	**11**	9	**–**	–
Exchange differences	**–**	1	**–**	–
Charge for the year	**2**	1	**1**	–
At 31 December	**13**	11	**1**	–
Carrying amount:				
At 31 December	**6**	8	**4**	5

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.

19. Available-For-Sale Financial Assets

	The Group	
	2009	2008
	RMB'000	RMB'000
Cost		
At 1 January	**–**	16,553
Disposals	**–**	(16,553)
At 31 December	**–**	–
Accumulated impairment losses		
At 1 January	**–**	7,815
Exchange differences	**–**	642
Disposals	**–**	(8,457)
At 31 December	**–**	–
Carrying amount		
– Non-current portion	**–**	–

The carrying amount of unlisted available-for-sale financial assets at 1 January 2008 comprised 6.68% equity interests in a company incorporated in Taiwan.

The unlisted equity securities were carried at cost less accumulated impairment losses as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

In year 2008, the unlisted equity securities were fully disposed of to Li Bixue (李碧雪) and Li Wensong (李文松), a sister and a brother of Ms. Li Pi Hsia ("Ms. Li"), the spouse of Mr. Liu, who is a director and shareholder of the Company, and an independent third party at approximately NTD38,870,000 (equivalent to approximately RMB8,104,000). The disposal resulted in a net gain of approximately RMB8,000.

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

	The Group	
	2009	2008
	RMB'000	RMB'000
Mutual funds/unit trusts at fair value		
– established outside Hong Kong	**42,326**	39,569

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 sold with financial institutions in Taiwan as trust monies. As at 31 December 2009, the Group has deposited approximately RMB40,165,000 (2008: RMB37,648,000) in those three financial institutions in Taiwan.

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 RMB4,098,000 for the year ended 31 December 2009 (2008: loss of approximately RMB4,793,000). 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.

21. Inventories

	The Group	
	2009	2008
	RMB'000	RMB'000
Merchandises for resale	**242**	162

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB3,217,000 in 2009 (2008: RMB2,396,000).

22. Trade and Other Receivables

		The Group		The Company	
		2009	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	(note (c))	**–**	21	**–**	–
Other receivables	(note (d))	**7,635**	12,510	**–**	–
Amounts due from:					
– a director	(note 23)	**–**	5,766	**–**	2,984
– related parties	(note 24)	**–**	5,638	**–**	–
– subsidiaries	(note 41)	**–**	–	**32,000**	14,555
		–	11,404	**32,000**	17,539
Loans and receivables		**7,635**	23,935	**32,000**	17,539
Deposits and prepayments	(note (e))	**59,629**	53,401	**798**	5,033
		67,264	77,336	**32,798**	22,572

Notes:

(a) All of the trade and other receivables are expected to be recovered or recognised as expense within 1 year.

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

22. Trade and Other Receivables (Continued)

Notes: (Continued)

(c) At 31 December 2009, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
0 to 30 days	–	21

No receivables from customers remained outstanding and unsettled as at 31 December 2009 (2008: approximately RMB21,000 remained outstanding and unsettled).

No credit period is granted to customers by the Group. Customers are required to settle all outstanding balances before receiving the funeral services.

Based on past experience, management believes that no impairment allowance is necessary as the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

(d) Included in 2008 balance is an amount receivable from Bau Shun Life Science Technology Co., Ltd. (寶順生命科技股份有限公司) ("Bau Shun"), a company of which ceased to be related to the Group on 24 December 2008, of approximately RMB4,942,000. The amount was fully settled during year 2009.

An amount receivable from a funeral service sub-contractor of RMB358,000 (2008: RMB6,215,000) is also included in other receivables. The amount represents the receipt from the customers of the funeral services by the sub-contractor on behalf of a subsidiary of the Company. The amount due is unsecured, interest free and repayable on demand.

(e) Included in deposits and prepayments are deposits paid for funeral parlours and funeral service centres and prepaid agency commission for funeral services deeds of approximately RMB8,000,000 (2008: RMB2,300,000) and RMB39,398,000 (2008: RMB40,943,000) respectively.

23. Due from a Director

	The Group			
Name of director			**Maximum outstanding during the year**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mr. Liu	–	5,766	**7,382**	5,776

	The Company			
Name of director			**Maximum outstanding during the year**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mr. Liu	–	2,984	**2,984**	2,984

The amount due from a director is of non-trade nature and is unsecured, interest free and repayable on demand. The balance was fully settled during the year.

24. Due from Related Parties

Name of related parties	Relationship	The Group 2009 RMB'000	The Group 2008 RMB'000	Maximum outstanding during the year 2009 RMB'000	Maximum outstanding during the year 2008 RMB'000
Li Bixue (李碧雪)	A sister of Ms. Li, the spouse of Mr. Liu, who is a director and shareholder of the Company	**–**	4,228	**4,228**	5,706
Li Wensong (李文松)	A brother of Ms. Li, the spouse of Mr. Liu, who is a director and shareholder of the Company	**–**	1,410	**1,410**	1,762
		–	5,638		

The amounts due from related parties are of non-trade nature and are unsecured, interest free and repayable on or before 30 June 2009. The amounts were fully settled during the year.

25. Cash and Bank Balances

	The Group 2009 RMB'000	The Group 2008 RMB'000	The Company 2009 RMB'000	The Company 2008 RMB'000
Cash at bank and in hand	**44,428**	15,426	**36**	728
Deposits with bank with more than three months to maturity when placed	**68,301**	–	**68,301**	–
	112,729	15,426	**68,337**	728

The Group's fixed deposits represented deposits placed in a bank with maturity date of 17 December 2010. The deposits are in US$ and at an average interest rate of 1.09% per annum and therefore are subject to fair value interest rate risk.

At 31 December 2009, cash at bank and in hand of the Group of approximately RMB3,726,000 (2008: RMB5,061,000) 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 in hand are denominated in the following currencies:

	The Group 2009 RMB'000	The Group 2008 RMB'000	The Company 2009 RMB'000	The Company 2008 RMB'000
US$	**–**	456	**–**	456
HK$	**45**	298	**36**	272
RMB	**3,726**	5,061	**–**	–
NTD	**40,657**	9,611	**–**	–
	44,428	15,426	**36**	728

26. Trade and Other Payables

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables *(note (c))*	**684**	574	**–**	–
Accruals and other payables	**2,975**	2,224	**1,349**	132
Amounts due to subsidiaries *(note 41)*	**–**	–	**4,603**	7,054
Financial liabilities measured at amortised cost	**3,659**	2,798	**5,952**	7,186

Notes:

(a) All of the trade and other payables are expected to be settled or recognised as income within 1 year or are repayable on demand.

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

(c) The ageing analysis of trade payables, based on the date of receipt of goods or services rendered, is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
0 to 30 days	**539**	413
31 days to 90 days	**92**	65
Over 90 days	**53**	96
	684	574

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

27. Receipt in Advance

During the year, Bau Shan, a subsidiary 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 maximum 48 monthly instalments. The Group determines the pricing of the funeral services deeds by adding a margin to the estimated cost of delivering funerals, after taken into account of major factors including instruction of the Deed Holders. Amounts received from funeral services deeds sold are recorded as receipt 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, receipt in advance is classified as current liabilities in the consolidated statement of financial position.

According to the Mortuary Service Administration Act, 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 sold with financial institutions in Taiwan as trust monies. As at 31 December 2009, the Group has deposited approximately RMB40,165,000 (2008: RMB37,648,000) with three financial institutions in Taiwan (see note 20).

If the Deed Holders terminates 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 installments paid, whichever is lower, will be forfeited as income. The Group recognised a net gain on termination/lapse of funeral services deeds of approximately RMB495,000 (2008: RMB727,000) in "other net gain/(loss)" in the consolidated statement of comprehensive income for the year.

28. Bank Borrowings

Bank borrowings were secured as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Bank borrowings		
– secured	**12,338**	12,218
– unsecured	**177**	382
	12,515	12,600

As at 31 December 2009, the Group's bank borrowings were repayable as follows:

	2009	2008
	RMB'000	RMB'000
On demand or within a period not exceeding one year	**1,484**	959
Within a period of more than one year but not exceeding two years	**686**	1,467
Within a period of more than two years but not exceeding five years	**2,058**	2,024
More than five years	**8,287**	8,150
	12,515	12,600
Less: Amounts due within one year shown under current liabilities	**(1,484)**	(959)
	11,031	11,641

All bank borrowings are denominated in NTD. As at 31 December 2009 and 2008, all bank borrowings are arranged at floating rates and exposed the Group to cash flow interest rate risk.

The effective interest rates at the end of the reporting period were as follows:

	2009	2008
Bank borrowings	**1.89%**	3.40%

Bank borrowings of RMB12,338,000 (2008: RMB12,218,000) were secured by freehold land and buildings of the Group amounting to RMB19,817,000 (2008: RMB19,200,000) (note 17(e)).

As at 31 December 2008, bank borrowings of RMB12,600,000 were secured by personal guarantees granted by Mr. Liu, a director and shareholder of the Company, Ms. Li, the spouse of Mr. Liu, Mr. Wang Zheng Shun and Ms. Wang Li Wun, a director and a supervisor of Bau Shan, a subsidiary of the Company. These guarantees were released on 26 August 2009.

29. Other Loans

Other loans were secured as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Other loans		
– secured	**2,590**	2,795

29. Other Loans (Continued)

As at 31 December 2009, other loans were repayable as follows:

	2009	2008
	RMB'000	RMB'000
On demand or within a period not exceeding one year	**267**	229
Within a period of more than one year but not exceeding two years	**280**	509
Within a period of more than two years but not exceeding five years	**817**	790
More than five years	**1,226**	1,267
	2,590	2,795
Less: Amounts due within one year shown under current liabilities	**(267)**	(229)
	2,323	2,566

Notes:

(i) The other loans were granted from Mr. Chen Chun Fu (陳重甫) ("Mr. Chen"), who was a director of Bau Shan, a subsidiary of the Company, who resigned on 22 December 2009, and two independent third parties. During year 2008, one of the other loans from an independent third party was fully settled. The other loans are repayable by monthly instalments.

(ii) As at 31 December 2009, other loan of approximately RMB1,716,000 (2008: RMB1,777,000) was due to Mr. Chen. The loan was secured by the freehold land and building of the Group of approximately RMB2,614,000 (2008: RMB2,555,000) (note 17(e)), with interest charged at bank saving rate plus a rate within a range from 0.301% to 1.164% and with maturity date of 22 August 2025.

(iii) As at 31 December 2009, other loan of approximately RMB874,000 (2008: RMB1,018,000) was due to an independent third party. The loan was secured by the freehold land of the Group of approximately RMB2,948,000 (2008: RMB2,878,000) (note 17(e)), with interest charged at a rate of 8.26% and with maturity date of 21 June 2014.

30. OBLIGATION UNDER FINANCE LEASE

As at 31 December 2009, the Group had obligation under finance lease repayable as follows:

	The Group			
	Total minimum lease payments		**Present value of minimum lease payments**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**–**	1	**–**	1
Less: Future finance charges	**–**	–	**–**	–
Present value of lease obligation	**–**	1	**–**	1
Less: Amount due for settlement within 12 months (shown under current liabilities)			**–**	(1)
Amount due for settlement after 12 months			**–**	–

It is the Group's policy to lease certain of its office equipment under finance lease. The lease term is 3 years. The finance lease is arranged at floating rates and expose the Group to cash flow interest rate risk. The average borrowing rate is 13.44% per annum as at 31 December 2008. 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.

31. Income Tax in the Consolidated Statement of Financial Position

(i) Current tax liabilities in the consolidated statement of financial position represents:

	The Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**3,142**	2,817
Provision for the year		
– PRC Enterprise Income Tax	**1,654**	1,355
– Taiwan Enterprise Income Tax	**2,663**	551
	4,317	1,906
Income tax paid during the year	**(4,773)**	(1,310)
Exchange adjustments	**30**	(271)
At 31 December	**2,716**	3,142

(ii) Deferred tax

From 1 January 2008 onward, under the PRC Enterprise Income Tax Law (the "New Law"), 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, are subject to withholding tax at the rate up to 20% on various types of passive income such as dividends derived from sources in the PRC. Currently, the implementation rule of the New Law that is in force provides that a concessionary income tax rate of 10% will normally be applicable to dividends payable to foreign investors who are non-resident enterprises. For investors incorporated in Hong Kong, a preferential rate of 5% is applied. Distributions of pre-2008 earnings are exempted from the abovementioned withholding 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 RMB498,000 (2008: RMB182,000) has not been provided for in the consolidated financial statements in respect of the temporary differences 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.

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

32. Convertible Bonds

On 1 April 2008, the Company issued a tranche of convertible bond with the principal amount of HK$19,000,000.

The bond holders have the right to convert on 31 March 2009, the whole or any part (in an amount or integral multiple of HK$500,000) of the principal amount, the convertible bonds into shares at the then prevailing conversion price. If the convertible bonds have not been converted, they will be redeemed on 1 April 2009 at HK$500,000 per bond. Interest of 3% per annum is payable annually but be exempted if the Company is listed in the Stock Exchange within 15 months of the date of the subscription agreement, which is 21 January 2008.

On 31 March 2009, a supplemental agreement was executed, pursuant to which the bond holders have agreed that (i) the date on which the Company repays the outstanding principal and interest to the bond holders is extended to 31 July 2009 or such other date as may be agreed among the bond holders; and (ii) in the event that the Company is successfully listed on or before 31 July 2009, the bond holders will waive the payment of the interest by the Company for the period from 21 January 2008 to 31 March 2009. The Company, however, is required to pay interest to the bond holders for the period commencing from 1 April 2009 to the date of the listing.

On 30 July 2009, a second supplemental agreement was executed, pursuant to which the bond holders have agreed that (i) the date on which the Company repays the outstanding principal and interest to the bond holders is further extended to 31 October 2009 or such other date as may be agreed among the bond holders; and (ii) in the event that the Company's share is successfully listed on or before 31 October 2009, the bond holders will waive the payment of the interest by the Company for the period from 21 January 2008 to 31 March 2009. The Company, however, is required to pay interest to the bond holders for the period commencing from 1 April 2009 to the date of the listing.

The convertible bonds contain two components, liability and equity. The equity element is presented in equity heading "convertible bonds equity reserve". The effective interest rate of the liability component is 3.05% per annum.

The fair value of the liability component was determined by an independent professional valuer, BMI Appraisals Limited. The fair value of the liability component is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The movement of the liability component of the convertible bonds for the year is set out below:

	The Group and the Company
	RMB'000
At 1 January 2008	–
Proceeds upon issue	16,227
Equity component	(496)
Liability component at date of issue	15,731
Interest charge *(note 8)*	379
Exchange differences	(7)
Liability component at 31 December 2008 and 1 January 2009	16,103
Interest charge *(note 8)*	350
Exchange differences	(2)
Interest paid	(222)
Conversion into shares	(16,229)
Liability component at 31 December 2009	–

33. Share Capital

	Note	No. of shares	Nominal value
			RMB'000
Authorised			
At 1 January 2008		50,000	366
Subdivision of 1 share of US$1.0 each into 78 shares of HK$0.1 each	(a)	3,850,000	–
At 31 December 2008 and 1 January 2009		3,900,000	366
Increase in authorised share capital	(b)	9,996,100,000	881,175
At 31 December 2009		10,000,000,000	881,541
Issue and fully paid			
At 1 January 2008		50,000	366
Subdivision of 1 share of US$1.0 each into 78 shares of HK$0.1 each	(a)	3,850,000	–
At 31 December 2008 and 1 January 2009		3,900,000	366
Issue of shares on full conversion of convertible bonds	(c)	699,057	62
Capitalisation issue	(d)	445,400,943	43,049
Issue of shares under public placing	(e)	150,000,000	13,246
Issue of shares on exercise of over-allotment option	(f)	22,500,000	1,983
At 31 December 2009		622,500,000	58,706

Notes:

(a) On 3 January 2008, an ordinary resolution was passed by the shareholders of the Company approving the subdivision (the "Share Subdivision") of each issued shares of US$1.0 in the authorised share capital of the Company into 78 ordinary shares of HK$0.1 each. The Share Subdivision became effective on 3 January 2008.

(b) On 24 August 2009, an ordinary resolution was passed by the shareholders of the Company approving the increase in authorised share capital from 3,900,000 shares to 10,000,000,000 shares by the creation of an additional 9,996,100,000 ordinary shares of HK$0.1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(c) During the year, convertible bonds with principal amount of HK$19 million were converted into 699,057 shares of the Company of HK$0.1 each at a conversion price of HK$0.278 per share.

(d) On 2 September 2009 , an amount of HK$44,540,094 standing to the credit of the share premium account was applied in paying up in full 445,400,943 ordinary shares of HK$0.1 each which were alloted and distributed as fully paid to existing shareholders.

(e) On 9 September 2009, 150,000,000 ordinary shares of HK$0.1 each of the Company were issued at a price of HK$0.72 per share by way of placing. On the same date, the Company's shares were listed on the GEM of the Stock Exchange.

(f) On 1 September 2009, the Company entered into an underwriting agreement with Oriental Patron Securities Limited (the "Underwriter"), an independent third party, for placing of the Company's shares on the GEM of the Stock Exchange and an over-allotment option (the "Over-allotment Option") was granted by the Company to the Underwriter.

On 22 September 2009, the Underwriter exercised their option rights to subscribe for an aggregate of 22,500,000 shares of HK$0.1 each at an exercise price of HK$0.72 per share.

34. Reserves

(a) The Group

	Share premium RMB'000 Note (c)(i)	Merger reserve RMB'000 Note (c)(ii)	Statutory reserve RMB'000 Note (c)(iii)	Statutory surplus reserve RMB'000 Note (c)(iv)	Properties revaluation reserve RMB'000 Note (c)(v)	Foreign currency translation reserve RMB'000 Note (c)(vi)	Convertible bonds equity reserve RMB'000 Note (c)(vii)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	**39,624**	**(16,261)**	**225**	**111**	**2,846**	**2,445**	**–**	**(20,764)**	**8,226**
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	2,128	2,128
Other comprehensive income									
Deficit on revaluation of land and buildings held for own use	–	–	–	–	(2,521)	–	–	–	(2,521)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	467	–	–	467
Total other comprehensive income	–	–	–	–	(2,521)	467	–	–	(2,054)
Total comprehensive income	**–**	**–**	**–**	**–**	**(2,521)**	**467**	**–**	**2,128**	**74**
Transactions with owners									
Convertible bonds – equity component, net of tax	–	–	–	–	–	–	496	–	496
Profit appropriation to reserves	–	–	–	404	–	–	–	(404)	–
Total transactions with owners	**–**	**–**	**–**	**404**	**–**	**–**	**496**	**(404)**	**496**
At 31 December 2008 and 1 January 2009	**39,624**	**(16,261)**	**225**	**515**	**325**	**2,912**	**496**	**(19,040)**	**8,796**
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	12,463	12,463
Other comprehensive income									
Surplus on revaluation of land and buildings held for own use	–	–	–	–	526	–	–	–	526
Exchange differences on translation of financial statements of foreign operations	–	–	–	–		(965)	–	–	(965)
Total other comprehensive income	–	–	–	–	526	(965)	–	–	(439)
Total comprehensive income	**–**	**–**	**–**	**–**	**526**	**(965)**	**–**	**12,463**	**12,024**
Transactions with owners									
Issue of shares on full conversion of convertible bonds	16,663	–	–	–	–	–	(496)	–	16,167
Capitalisation issue	(43,049)	–	–	–	–	–	–	–	(43,049)
Issue of shares under public placing	81,973	–	–	–	–	–	–	–	81,973
Issue of shares on exercise of over-allotment option	12,296	–	–	–	–	–	–	–	12,296
Expenses incurred in connection with the issue of shares	(25,303)	–	–	–	–	–	–	–	(25,303)
Profit appropriation to reserves	–	–	–	323	–	–	–	(323)	–
Total transactions with owners	**42,580**	**–**	**–**	**323**	**–**	**–**	**(496)**	**(323)**	**42,084**
At 31 December 2009	**82,204**	**(16,261)**	**225**	**838**	**851**	**1,947**	**–**	**(6,900)**	**62,904**

34. Reserves (Continued)

(b) The Company

	Share premium RMB'000	Foreign currency translation reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	**39,624**	**3,233**	**–**	**(103)**	**42,754**
Comprehensive income					
Loss for the year	–	–	–	(765)	(765)
Other comprehensive income					
Exchange differences on translating financial statements from functional currency into presentation currency	–	(5)	–	–	(5)
Total comprehensive income	**–**	**(5)**	**–**	**(765)**	**(770)**
Transactions with owners					
Convertible bonds – equity component, net of tax	–	–	496	–	496
At 31 December 2008 and 1 January 2009	**39,624**	**3,228**	**496**	**(868)**	**42,480**
Comprehensive income					
Loss for the year	–	–	–	(5,155)	(5,155)
Other comprehensive income					
Exchange differences on translating financial statements from functional currency into presentation currency	–	(98)	–	–	(98)
Total comprehensive income	**–**	**(98)**	**–**	**(5,155)**	**(5,253)**
Transactions with owners					
Issue of shares on full conversion of convertible bonds	16,663	–	(496)	–	16,167
Capitalisation issue	(43,049)	–	–	–	(43,049)
Issue of shares under public placing	81,973	–	–	–	81,973
Issue of shares on exercise of over-allotment option	12,296	–	–	–	12,296
Expenses incurred in connection with the issue of shares	(25,303)	–	–	–	(25,303)
Total transactions with owners	**42,580**	**–**	**(496)**	**–**	**42,084**
At 31 December 2009	**82,204**	**3,130**	**–**	**(6,023)**	**79,311**

34. Reserves (Continued)

(c) 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 4(c) to the consolidated financial statements.

(vi) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(n).

(vii) Convertible bonds equity reserve

Convertible bonds reserve comprises the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4(e).

(d) Distributable reserves

As at 31 December 2009, the aggregate amount of reserves available for distribution to owners of the Company was approximately RMB76,181,000 (2008: RMB38,756,000).

34. Reserves (Continued)

(e) 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 2009 and 2008 were as follows:

	2009	2008
	RMB'000	RMB'000
Total liabilities	**136,982**	153,220
Total assets	**261,308**	165,524
Gearing ratio	**52.42%**	92.57%

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.

35. Financial Risk Management

The Group is exposed to credit, liquidity, currency and interest rate risk, which arise from its normal course of business. The Group is also exposed to other price risk from its financial assets designated as at FVTPL. 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

(i) As at 31 December 2009 and 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

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

(iii) In respect of trade receivables, the default risk of the industry and country in which the subsidiaries operate also has an influence on credit risk. At the end of reporting period, the Group has no significant concentrations of credit risk since trade receivables are considered fully recoverable.

(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 receivables are set out in note 22.

35. Financial Risk Management (Continued)

(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 liquidity tables set out the remaining contractual maturities at the end of 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 are required to pay:

The Group

	2009					
	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**
Trade payables	**684**	**–**	**–**	**–**	**684**	**684**
Accruals and other payables	**2,975**	**–**	**–**	**–**	**2,975**	**2,975**
Receipt in advance	**118,218**	**–**	**–**	**–**	**118,218**	**118,218**
Bank borrowings	**1,677**	**861**	**2,516**	**9,112**	**14,166**	**12,515**
Other loans	**352**	**352**	**945**	**1,363**	**3,012**	**2,590**
	123,906	**1,213**	**3,461**	**10,475**	**139,055**	**136,982**

	2008					
	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
Trade payables	574	–	–	–	574	574
Accruals and other payables	2,224	–	–	–	2,224	2,224
Receipt in advance	118,923	–	–	–	118,923	118,923
Bank borrowings	1,372	1,157	2,974	10,691	16,194	12,600
Other loans	377	754	1,015	1,556	3,702	2,795
Obligation under finance lease	1	–	–	–	1	1
Convertible bonds	16,103	–	–	–	16,103	16,103
	139,574	1,911	3,989	12,247	157,721	153,220

35. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

The Company

	2009					
	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
Accruals and other payables	**1,349**	**–**	**–**	**–**	**1,349**	**1,349**
Amounts due to subsidiaries	**4,603**	**–**	**–**	**–**	**4,603**	**4,603**
	5,952	**–**	**–**	**–**	**5,952**	**5,952**

	2008					
	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
Accruals and other payables	132	–	–	–	132	132
Amounts due to subsidiaries	7,054	–	–	–	7,054	7,054
Convertible bonds	16,103	–	–	–	16,103	16,103
	23,289	–	–	–	23,289	23,289

(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 is mainly concentrated on the fluctuation of prime rate arising from the Group's NTD borrowings.

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

		The Group				The Company			
		2009		2008		2009		2008	
	Note	RMB'000	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000	Effective interest rate (%)
Net fixed rate borrowings									
Convertible bonds	*32*	**–**	**–**	16,103	3.05%	**–**	**–**	16,103	3.05%
		–		16,103		**–**		16,103	
Variable rate borrowings									
Bank borrowings	*28*	**12,515**	**1.89%**	12,600	3.40%	**–**	**–**	–	–
Other loans	*29*	**2,590**	**3.52%**	2,795	5.12%	**–**	**–**	–	–
Obligation under finance lease	*30*	**–**	**–**	1	7.65%	**–**	**–**	–	–
		15,105		15,396		**–**		–	
Total net borrowings		**15,105**		31,499		**–**		16,103	
Net fixed rate borrowings as a percentage of total net borrowings		**–**		51.12%		**–**		100%	

35. Financial Risk Management (Continued)

(c) Interest rate risk (Continued)

(ii) *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease 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 over the period until the next annual year end date. The analysis is performed on the same basis for 2008.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately RMB151,000 (2008: RMB166,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(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) 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.

The Group

	Exposure to foreign currencies (expressed in RMB)					
	2009			2008		
	US$ '000	**NTD '000**	**EUR '000**	US$ '000	NTD '000	EUR '000
Financial assets designated as at FVTPL	**2**	**–**	**1**	2	–	1
Deposits, prepayments and other receivables	**–**	**223**	**–**	–	1,180	–
Due from a director	**–**	**–**	**–**	2,984	–	–
Cash and bank balances	**68,305**	**–**	**–**	456	–	–
Overall net exposure	**68,307**	**223**	**1**	3,442	1,180	1

The Company

	Exposure to foreign currencies (expressed in RMB)					
	2009			2008		
	US$ '000	**NTD '000**	**RMB '000**	US$ '000	NTD '000	RMB '000
Deposits, prepayments and other receivables	**–**	**223**	**–**	–	1,180	–
Due from subsidiaries	**–**	**11,018**	**–**	–	–	–
Due from a director	**–**	**–**	**–**	2,984	–	–
Cash and bank balances	**68,301**	**–**	**–**	456	–	–
Due to subsidiaries	**–**	**(2,833)**	**(1,770)**	(4,014)	–	(542)
Overall net exposure	**68,301**	**8,408**	**(1,770)**	(574)	1,180	(542)

35. Financial Risk Management (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after taxation (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2009		2008	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation and accumulated losses RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and accumulated losses RMB'000
US$	**0.1%**	**430**	6.6%	227
	(0.1%)	**(430)**	(6.6%)	(227)
NTD	**1.7%**	**1**	7.3%	83
	(1.7%)	**(1)**	(7.3%)	(83)
EUR	**0.8%**	**–**	6.6%	–
	(0.8%)	**–**	(6.6%)	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the subsequent reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities profit 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 analysis is performed on the same basis for 2008.

(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 bonds and equity securities listed in Taiwan and other foreign countries.

(i) 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 74.28% (2008: 44.84%) higher/ lower, profit for the year would increase/decrease by RMB31,258,000 (2008: increase/decrease by RMB17,261,000) for the Group as a result of the changes in fair value of financial assets designated as at FVTPL.

35. Financial Risk Management (Continued)

(f) Fair values

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

As at December 2009, the financial instruments measured in fair value of the Group are financial assets being invested in Taiwan and other foreign stock market which is classified as available-for-sale and measured by the quoted price, and included in level 1.

	The Group			The Company		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Financial assets designated as at FVTPL	42,326	–	42,326	–	–	–

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

(i) *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.

(ii) *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.

36. Material Related Party Transactions

Transactions between the companies comprising the Group have been eliminated on consolidation and are not disclosed. 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)

Name	Relationship	Transaction	Amount paid/(received) 2009 RMB'000	2008 RMB'000
Discontinued transactions:				
Bau Shun	A company in which Mr. Liu, a director and shareholder of the Company, is a common director and has interest (note (b))	Receipt of rental income in respect of premises and vehicles	–	(5)
Ms. Li Bixue (李碧雪)	A sister of Ms. Li, the spouse of Mr. Liu, who is a director and shareholder of the Company	Disposal of available-for-sale financial assets	–	(5,704)
Mr. Li Wensong (李文松)	A brother of Ms. Li, the spouse of Mr. Liu, who is a director and shareholder of the Company	Disposal of available-for-sale financial assets	–	(1,762)
Mr. Chen	A director of Bau Shan, a subsidiary of the Company (note (c))	Payment of other loan interest	38	75

The directors of the Company considered that the transactions were carried out in the normal course of business.

(b) In 2008, Mr. Liu resigned as a director and sold out all his interest in the related company to independent third parties. Related party relationship ceased since the date of disposal.

(c) As at 31 December 2009, an other loan of approximately RMB1,777,000 was due to Mr. Chen, a director of Bau Shan, a subsidiary of the Company, who resigned on 22 December 2009. The loan is secured by freehold land and building located in Taiwan owned by the Group. Interest was charged at the bank saving rate plus 0.301% to 1.164% and repayable after 5 years.

(d) During year ended 31 December 2008, certain of the Group's banking facilities were secured by personal guarantees to the extent of approximately RMB12,600,000 given by Mr. Liu, Ms. Li, who is the spouse of Mr. Liu, Mr. Wang Zheng Shun, a director of Bau Shan and , Ms. Wang Li Wun, a supervisor of Bau Shan. These guarantees were released on 26 August 2009.

(e) Key management personnel remuneration

Remunerations for key management personnel of the Group are paid to the Company's directors as disclosed in note 11.

37. Operating Lease Commitments

(a) The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due are as follows:

	2009	2008
	RMB'000	RMB'000
Within one year	**10,513**	8,796
In the second to fifth year, inclusive	**35,047**	33,132
After five years	**120,054**	89,104
	165,614	131,032

Operating lease payments represent rentals payable by the Group for certain of its sales offices and management fee payable to funeral parlour and funeral service centre owners. Leases are negotiated for an average term of 2 to 20 years and rentals are fixed over the lease terms and do not include contingent rentals.

(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 receivables:

	2009	2008
	RMB'000	RMB'000
Within one year	**83**	–

(c) The Company had no significant operating lease commitments as at 31 December 2009 and 2008.

38. Capital Commitments

The Group's and the Company's capital commitments are as follows:

	The Group		**The Company**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Capital expenditure contracted but not provided for: – Acquisition of property, plant and equipment	**5,072**	648	**3,232**	–

39. Pledge of Assets

As at 31 December 2009, bank borrowings and other loans of the Group were secured by freehold land and buildings with an aggregate carrying amount of RMB17,847,000 (2008: RMB17,309,000) and RMB7,532,000 (2008: RMB7,324,000) respectively.

40. Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities at 31 December 2009 and 2008.

41. Investments in Subsidiaries

	The Company 2009 RMB'000	2008 RMB'000
Unlisted investment, at cost	**42,830**	42,830
Due from subsidiaries	**32,000**	14,555
Due to subsidiaries	**(4,603)**	(7,054)

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

Details of the Company's subsidiaries as at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up/ share or registered capital	Attributable equity interest 2009	2008	Principal activities/ place of operation
Directly held					
Bau Shan	Taiwan 29 December 1998	Ordinary NTD165,240,000/ NTD165,240,000	**100%**	100%	Provision of funeral services, sale of goods and investment holding/Tawian
Full Spread	Hong Kong 5 October 2007	Ordinary HK$1/ HK$1	**100%**	100%	Investment holding/ Hong Kong
Indirectly held					
Bau De	Taiwan 6 November 2000	Ordinary NTD108,000,000/ NTD108,000,000	**83.33%**	83.33%	Sub-contracting of funeral services/ Taiwan
Xibao Technology *(Note 1)*	The PRC 19 March 2007	Registered capital US$1,699,995/ US$2,000,000	**100%**	100%	Consultation of funeral services and investment holding/The PRC
Xizhou Service *(Note 2)*	The PRC 25 October 2006	Registered capital RMB300,000/ RMB300,000	**100%**	100%	Consultation of funeral services/ The PRC

Notes:

1. A foreign wholly-owned enterprise

2. A limited liability company

42. 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 participants include:

 (1) any employee or proposed employee of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;

 (2) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

 (3) any consultants, advisers, agents, partners or joint-venture partners of the Company or any Invested Entity;

(c) The exercise price of a share option under the Share Option Scheme will not be less than the highest of:

 (1) 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;

 (2) 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

 (3) 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 60,000,000 representing 10% of the issued shares of the Company as at the date of this Annual Report.

(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.

42. Share Option Scheme (Continued)

(g) The options are exercisable starting half year from the grant date only. The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 10 years from the date of adoption 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.

At the end of the reporting period, no option has been granted or agreed to be granted under the Share Option Scheme since its adoption.

43. Non-adjusting Events After the Reporting Period

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

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