



SINO LIFE

# 中國生命集團有限公司 SINO-LIFE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8296 )

Half Yearly Report **2010**

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

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

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

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*This announcement, for which the directors (the “Directors”) of Sino-Life Group Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, include particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: the information contained in this announcement and report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement or report misleading.*



## HIGHLIGHTS

- The Group recorded a turnover of approximately RMB30.8 million for the six months ended 30 June 2010 (2009: approximately RMB22.5 million).
- Profit attributable to shareholders for the six months ended 30 June 2010 amounted to approximately RMB1.6 million as compared to approximately RMB6.9 million for the corresponding period in 2009.
- No interim dividend is recommended for the period (2009: RMB Nil).

## Half Yearly Results (Unaudited)

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2010 together with the comparative unaudited consolidated figures for the corresponding period in 2009. The interim financial statements have not been audited, but have been reviewed and agreed by the audit committee of the Company.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
<b>Turnover</b>	3	<b>17,951</b>	12,024	<b>30,830</b>	22,540
Cost of sales		<b>(4,666)</b>	(2,934)	<b>(8,104)</b>	(5,521)
<b>Gross profit</b>		<b>13,285</b>	9,090	<b>22,726</b>	17,019
Other revenue	4	<b>1,597</b>	78	<b>4,453</b>	1,317
Other net (loss)/gain	4	<b>(770)</b>	1,410	<b>(832)</b>	1,965
Selling expenses		<b>(5,445)</b>	(2,639)	<b>(9,232)</b>	(5,351)
Administrative expenses		<b>(7,242)</b>	(2,363)	<b>(12,294)</b>	(5,269)
Other operating expenses		<b>(77)</b>	(262)	<b>(77)</b>	(264)
Finance costs	5	<b>(25)</b>	(240)	<b>(159)</b>	(457)
<b>Profit before taxation</b>	6	<b>1,323</b>	5,074	<b>4,585</b>	8,960
Income tax expense	7	<b>(2,276)</b>	(1,040)	<b>(3,035)</b>	(2,022)
(Loss)/profit for the period		<b>(953)</b>	4,034	<b>1,550</b>	6,938
Other comprehensive income for the period, net of tax					
Surplus on revaluation of land and buildings held for own use		<b>809</b>	204	<b>861</b>	63
Exchange differences on translation of financial statements of foreign operations		<b>(1,666)</b>	28	<b>(1,838)</b>	219
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(1,810)</b>	4,266	<b>573</b>	7,220
(Loss)/profit attributable to:					
Owners of the Company		<b>(953)</b>	4,034	<b>1,550</b>	6,938
Minority interests		<b>-</b>	-	<b>-</b>	-
		<b>(953)</b>	4,034	<b>1,550</b>	6,938
Total comprehensive income attributable to:					
Owners of the Company		<b>(1,810)</b>	4,266	<b>573</b>	7,220
Minority interests		<b>-</b>	-	<b>-</b>	-
		<b>(1,810)</b>	4,266	<b>573</b>	7,220
(Loss)/earnings per share Basic and diluted	9	<b>RMB(0.13) cents</b>	RMB0.90 cents	<b>RMB0.23 cents</b>	RMB1.54 cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	41,692	38,741
Intangible assets		5	6
		<b>41,697</b>	38,747
<b>CURRENT ASSETS</b>			
Financial assets designated as at fair value through profit or loss	11	40,535	42,326
Inventories		826	242
Trade and other receivables	12	74,712	67,264
Cash and bank balances		252,794	112,729
		<b>368,867</b>	222,561
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	4,596	3,659
Receipt in advance		117,077	118,218
Current portion of bank borrowings		673	1,484
Current portion of other loans		271	267
Current tax liabilities		1,827	2,716
		<b>(124,444)</b>	(126,344)
<b>NET CURRENT ASSETS</b>		<b>244,423</b>	96,217
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>286,120</b>	134,964
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		10,784	11,031
Other loans		2,172	2,323
		<b>(12,956)</b>	(13,354)
<b>NET ASSETS</b>		<b>273,164</b>	121,610
<b>CAPITAL AND RESERVES</b>			
Share capital	14	69,218	58,706
Reserves		203,946	62,904
Equity attributable to owners of the Company		<b>273,164</b>	121,610
Minority interests		-	-
<b>TOTAL EQUITY</b>		<b>273,164</b>	121,610

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Statutory surplus reserve RMB'000	Properties revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
<b>At 1 January 2009 (audited)</b>	366	39,624	(16,261)	225	-	515	325	2,912	496	(19,040)	9,162	-	9,162
<b>Comprehensive income</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	6,938	6,938	-	6,938
<b>Other comprehensive income</b>													
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	63	-	-	-	63	-	63
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	219	-	-	219	-	219
Total other comprehensive income	-	-	-	-	-	-	63	219	-	-	282	-	282
<b>Total comprehensive income</b>	-	-	-	-	-	-	63	219	-	6,938	7,220	-	7,220
<b>Transactions with owners</b>													
Profit appropriation to reserve	-	-	-	-	-	200	-	-	-	(200)	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-	200	-	-	-	(200)	-	-	-
<b>At 30 June 2009 (unaudited)</b>	366	39,624	(16,261)	225	-	715	388	3,131	496	(12,302)	16,382	-	16,382
<b>At 1 January 2010 (audited)</b>	58,706	82,204	(16,261)	225	-	838	851	1,947	-	(6,900)	121,610	-	121,610
<b>Comprehensive income</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	1,550	1,550	-	1,550
<b>Other comprehensive income</b>													
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	861	-	-	-	861	-	861
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(1,838)	-	-	(1,838)	-	(1,838)
Total other comprehensive income	-	-	-	-	-	-	861	(1,838)	-	-	(977)	-	(977)
<b>Total comprehensive income</b>	-	-	-	-	-	-	861	(1,838)	-	1,550	573	-	573
<b>Transactions with owners</b>													
Shares issued upon placing of new shares	10,512	147,241	-	-	-	-	-	-	-	-	157,753	-	157,753
Issuing expenses	-	(9,126)	-	-	-	-	-	-	-	-	(9,126)	-	(9,126)
Profit appropriation to reserve	-	-	-	-	-	180	-	-	-	(180)	-	-	-
Equity-settled share-based transactions	-	-	-	-	2,354	-	-	-	-	-	2,354	-	2,354
<b>Total transactions with owners</b>	10,512	138,115	-	-	2,354	180	-	-	-	(180)	150,981	-	150,981
<b>At 30 June 2010 (unaudited)</b>	69,218	220,319	(16,261)	225	2,354	1,018	1,712	109	-	(5,530)	273,164	-	273,164

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Cash generated from operations</b>	<b>1,287</b>	8,583
Taiwan enterprise income tax paid	<b>(2,687)</b>	(8)
PRC enterprise income tax paid	<b>(1,245)</b>	(1,007)
<b>Net cash (used in)/generated from operating activities</b>	<b>(2,645)</b>	7,568
<b>Net cash generated from/(used in) investing activities</b>	<b>65,361</b>	(2,052)
<b>Net cash generated from/(used in) financing activities</b>	<b>147,344</b>	(637)
Net increase in cash and cash equivalents	<b>210,060</b>	4,879
Effect of foreign exchange rate changes	<b>(1,694)</b>	604
Cash and cash equivalents at 1 January	<b>44,428</b>	15,426
Cash and cash equivalents at 30 June	<b>252,794</b>	20,909
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and on hand	<b>252,794</b>	20,909

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010

### 1. GENERAL

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

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

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

The unaudited condensed consolidated financial statements has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2010 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2009, except for the adoption of all the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

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



### 3. TURNOVER AND SEGMENT INFORMATION

#### **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 period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Funeral services provided in funeral parlours and funeral service centres under the Group's management	<b>15,957</b>	11,533
Cremation services	<b>6,718</b>	5,455
Funeral arrangement services	<b>7,087</b>	5,552
Cemetery services	<b>1,068</b>	–
	<b>30,830</b>	22,540

#### **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 the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided.

	<b>Revenues from external customers</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Taiwan	<b>7,087</b>	5,552
The PRC	<b>23,743</b>	16,988
	<b>30,830</b>	22,540

During the period, 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, cremation and cemetery 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.

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

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
<b>Other revenue</b>		
Commission income	<b>3,617</b>	713
Interest income on financial assets not at fair value through profit or loss ("FVTPL")	<b>75</b>	2
Sundry income	<b>761</b>	602
	<b>4,453</b>	1,317
<b>Other net (loss)/gain</b>		
Changes in fair value of freehold land and buildings	<b>238</b>	–
Net exchange loss	<b>(449)</b>	–
Net gain on terminated and lapsed funeral services deeds	<b>30</b>	349
Net realised and unrealised (loss)/gain on financial assets designated as at FVTPL	<b>(651)</b>	1,616
	<b>(832)</b>	1,965
	<b>3,621</b>	3,282

## 5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interests on:		
Bank borrowings and other loans		
– wholly repayable within 5 years	50	33
– not wholly repayable within 5 years	109	176
Effective interest expenses on convertible bonds wholly repayable within 5 years	–	248
<b>Total interest expenses on financial liabilities not at FVTPL</b>	<b>159</b>	<b>457</b>

## 6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010	2009
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Amortisation of intangible assets	1	1
Auditors' remuneration		
– audit services	151	89
– other services	131	–
Cost of inventories sold	4,332	2,134
Depreciation	730	452
Operating lease rental in respect of		
– rented premises	136	136
– hire of plant and equipment	120	2
– hire of funeral parlours and funeral service centres	6,541	4,119
Staff costs (including directors' remuneration)		
– Salaries, wages and allowances	5,660	2,172
– Retirement benefit scheme contributions	233	261
	5,893	2,433
Share-based payment expenses	2,354	–

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax ( <i>note (i)</i> )	<b>1,956</b>	1,464
– Taiwan Enterprise Income Tax ( <i>note (ii)</i> )	<b>1,079</b>	558
	<b>3,035</b>	2,022

### Notes:

- (i) The subsidiaries, Chongqing Xibao Funeral Technology Company Limited and Chongqing Xizhou Funeral Service Company Limited operating in the PRC, are subject to enterprise income tax rate at 25% (2009: 25%) in accordance with the Law of the People's Republic of China on Enterprises Income Tax (中華人民共和國企業所得稅法).
- (ii) Bau Shan Life Science Technology Co., Ltd., a direct subsidiary of the Company, is subject to enterprise income tax rate at 25% in accordance with the Income Tax Act and other relevant laws in Taiwan.
- (iii) No provision for Taiwan Enterprise Income Tax has been made for Bau De Funeral Services Holdings Co., Ltd., an indirect subsidiary of the Company, as the subsidiary sustained losses during the period (2009: RMB Nil).
- (iv) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the period (2009: RMB Nil).
- (v) Provision for Hong Kong profits tax is not made as the Group does not derive any assessable profits in Hong Kong during the period (2009: RMB Nil).

## 8. DIVIDENDS

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2010 (2009: RMB Nil).

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for the three months and six months ended 30 June 2010 are based on the unaudited loss attributable to owners of the Company of RMB953,000 (2009: profit of RMB4,034,000) and profit of RMB1,550,000 (2009: profit of RMB6,938,000) respectively and on the weighted average number of 706,896,000 (2009: 450,000,000) and 664,931,000 (2009: 450,000,000) ordinary shares in issue during the periods.

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

## 10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with a cost of approximately RMB2,761,000 (2009: RMB2,054,000).

## 11. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
Mutual funds/unit trusts at fair value Established outside Hong Kong	<b>40,535</b>	42,326

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.

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 loss of approximately RMB651,000 for the six months ended 30 June 2010 (2009: gain of approximately RMB1,616,000). Changes in fair values of the above financial assets are recorded in “other net (loss)/gain” 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.

## 12. TRADE AND OTHER RECEIVABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Other receivables	11,517	7,635
Deposits and prepayments	63,195	59,629
	<b>74,712</b>	67,264

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

## 13. TRADE AND OTHER PAYABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade payables	715	684
Accruals and other payables	3,881	2,975
Financial liabilities measured at amortised cost	<b>4,596</b>	3,659

The aging analysis of trade payables, based on the date of receipt of goods or services rendered, is as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
0 to 30 days	534	539
31 days to 90 days	94	92
Over 90 days	87	53
	<b>715</b>	684

The average credit period of purchase is 30 days.

## 14. SHARE CAPITAL

	Note	No. of shares	Nominal value RMB'000
Authorised:			
At 1 January 2009		3,900,000	366
Increase in authorised share capital		9,996,100,000	881,175
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At 31 December 2009, 1 January 2010 and 30 June 2010		10,000,000,000	881,541
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Issued and fully paid			
At 1 January 2009		3,900,000	366
Issue of shares on full conversion of convertible bonds	(a)	699,057	62
Capitalisation issue	(b)	445,400,943	43,049
Issue of shares under public placing	(c)	150,000,000	13,246
Issue of shares on exercise of over-allotment option	(d)	22,500,000	1,983
<hr/>			
At 31 December 2009 and 1 January 2010		622,500,000	58,706
<hr/>			
Placing of shares	(e)	120,000,000	10,512
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At 30 June 2010		742,500,000	69,218

### Notes:

- (a) During 2009, 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.
- (b) 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 allotted and distributed as fully paid to existing shareholders.
- (c) 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.
- (d) On 1 September 2009, the Company entered into an underwriting agreement with, among others, Oriental Patron Securities Limited and Sun Hung Kai International Limited (the "Underwriters"), for placing of the Company's shares on the GEM of the Stock Exchange and adjustment options were granted by the Company to the Underwriters.
- On 22 September 2009, the Underwriters 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.
- (e) Pursuant to a placing agreement, a top-up subscription agreement and a supplementary subscription agreement to the subscription agreement entered on 14 April 2010, 14 April 2010 and 17 April 2010 respectively, the Company allotted and issued 120,000,000 shares of HK\$0.1 each at the subscription price of HK\$1.50 per share.

## 15. CAPITAL COMMITMENTS

The Group's capital commitments are as follows:

	<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
Capital expenditure contracted but not provided for:		
– acquisition of property, plant and equipment	<b>4,657</b>	5,072
– investment in a joint venture	<b>6,500</b>	–
	<b>11,157</b>	5,072

## 16. RELATED PARTY TRANSACTIONS

### *Key management personnel remuneration*

Remunerations for key management personnel of the Group are paid to the Company's directors.

	<b>Six months ended 30 June 2010 RMB'000 (Unaudited)</b>	2009 RMB'000 (Unaudited)
Fees	<b>218</b>	–
Salaries and other allowances	<b>464</b>	75
Pension costs – defined contribution scheme	–	–
	<b>682</b>	75



## Management Discussion and Analysis

### BUSINESS REVIEW

During the period under review, the Group provided management services to Chongqing Jiang Nan Funeral Parlour (重慶市江南殯儀館), Chongqing Tian Fu Funeral Service Centre (重慶市天福治喪中心), Chongqing Zhong County Funeral Parlour (重慶市忠縣殯儀館), An Fu Funeral Service Centre (安福堂治喪中心) and Yibin Funeral Service Centre (四川省宜賓殯儀服務中心) in Sichuan Province, the PRC. The Group achieved a considerable 39.4 % rise in turnover from its business in the PRC, while at the same time increased the market share in the funeral services market. Gross profit of its core funeral services business in the PRC remained at a high level at approximately 80.4%

To fully capture the growing demand of quality one-stop services, the Group has continued to reinforce promotion and marketing activities to enhance public awareness on its funeral parlours and funeral services. Additionally, the Group has dedicated considerable efforts and resources to upgrade facilities, improve conditions, as well as recruit more professional staffs to its existing funeral service centres / parlours, and also to the newly operated funeral parlour, An Fu Funeral Service Centre (安福堂治喪中心) in Chongqing which commenced business from March 2010.

The Group's success in extending business operation in Chongqing and Sichuan Province to Zhejiang Province is another testimony for its proactive efforts towards business expansion. In April 2010, the Group entered into an agreement with three individuals to set up a joint venture for the establishment of a funeral service centre in Ningbo, Zhejiang Province. This joint venture is to establish a funeral service centre in Ningbo City providing diverse funeral services, including transportation, refrigeration and storage of remains, mourning ceremonies, manufacturing and sales of funeral products, and a cemetery business.

In May 2010, the Group expanded its funerary business in Hong Kong by entering into a framework agreement to establish a Joint Venture ("JV") Company with five JV partners. Its first foray into Hong Kong not only meant an extension of the business beyond China and Taiwan, but also a recognition of acceptance among funeral industry related sectors and the population in Hong Kong. Among the five partners of the JV Company, the Group is honoured to have the support of and to be joined by Dr George K N Ching and Ms Ina Ng, who play important roles in the Kowloon Funeral Parlour.

To support its expansion strategies, the Group has successfully completed a top-up placing, providing shares to strategic investors in April 2010. This placing has widened the shareholders' base and the share capital base of the Group, and, more importantly, has provided stronger capital support which should prove beneficial to the Group's development and scale of operation. The Group has placed 120,000,000 shares to strategic investors at a price of HK\$1.50 per placing share. The net proceeds of the capital raising exercise were approximately HK\$170,200,000.

## OUTLOOK

Through the quality services and facilities it provided, the Company will be received high recognitions by the community which enables it to be affirmed as a brand of choice for customers. Going forward, the Group will maintain a 'people-oriented' commitment as its top priority in guiding its provision of funeral services from the heart and with loving care and concern as to the needs of customers. Aiming to become a leading five-star funeral service provider in the Greater China Region, the Group will continue its expansion of operations through funeral service management agreements with funeral parlours and funeral service centres in major cities so as to widen its geographical presence and market share.

To expedite its efforts, the Group will actively explore and engage in any opportunities that will help expand its business in Hong Kong through the joint venture company. The Group believes that the useful resources of the network provided through the JV can enable the Company to rapidly penetrate into the Hong Kong market.

Armed with solid industry expertise, a professional workforce and a strong brand, the Group is confident that its expanding scale of operations will enable the Company to create long-term steady returns to its shareholders.

## FINANCIAL REVIEW

For the six months ended 30 June 2010, the Group's turnover was approximately RMB30.8 million, representing an increase of 36.9% from approximately RMB22.5 million for the corresponding period of last year. The rise was mainly attributed to the expansion of operation in the PRC resulted in the turnover of the PRC also increased by approximately 39.4% for the six months ended 30 June 2010.

Cost of sales for the six months ended 30 June 2010 was approximately RMB8.1 million, rising by approximately 47.3% compared with the corresponding period in 2009. The increase in cost of sales was mainly attributable to the increase in the cost of sales in the PRC subsidiaries as part of the operations expansion in the PRC.

The other revenue and net income/(loss) for the six months ended 30 June 2010 was approximately RMB3.6 million compared with RMB3.3 million for the corresponding period in 2009. The rise was mainly due to an increase in commission income received as a result of the introduction of more cemeteries/cemetery services to the customers as part of the funeral services provided by the Group in the PRC and in Taiwan.

Selling expenses for the six months ended 30 June 2010 rose by approximately 70.4% to approximately RMB9.2 million as compared with the corresponding period in 2009. The increase in the amount of selling expenses was mainly attributable to the Group's increased rental and management costs, resulting from its expansion in the funeral parlour and funeral service centres management business in the PRC.

Administrative expenses rose by approximately 132.1% to approximately RMB12.3 million for the six months ended 30 June 2010 as a result of the effect of (i) an increase in the Group's staff costs due to increase in number of staff as a result of the expansion; (ii) an increase in depreciation and amortisation resulting from the increase in investment in the property, plant and equipment in the PRC; (iii) the expense recognition of the share-based payments arising from share options granted to employees and consultants and (iv) an increase in other administrative costs after the listing of the Company.

The profit attributable to the shareholders for the six months ended 30 June 2010 was approximately RMB1.6 million compared with RMB6.9 million for the corresponding period of last year with the decline as a result of the cumulative effect from the above-mentioned factors.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group maintains a healthy and sound financial position. As at 30 June 2010, the Group had bank balances and cash of approximately RMB252.8 million (31 December 2009: approximately RMB112.7 million) and bank and other loans of approximately RMB13.9 million (31 December 2009: approximately RMB15.1 million). All bank and other loans were denominated in New Taiwan Dollars, at prevailing market interest. As at 30 June 2010, the Group had no other material capital commitments, material contracts or significant investment plans, except those disclosed in this report. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity facilities to meet operation requirements and acquisition opportunities. The gearing ratio representing the ratio of total borrowing to the total assets of the Group was 3.4% as at 30 June 2010 (31 December 2009: 5.8%).

## **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 23.0% (2009: approximately 24.6%) of the total revenue for the six months ended 30 June 2010. The 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 30 June 2010, the Group did not have any borrowings, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

## **SIGNIFICANT ACQUISITIONS AND DISPOSAL OF INVESTMENTS**

Save as disclosed in "Business Review" section of this report, the Group did not have any significant acquisition and disposal of investment as at 30 June 2010.

## **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 RMB26.2 million (31 December 2009: approximately RMB25.4 million).

## **THE NUMBER AND REMUNERATION OF EMPLOYEES**

As at 30 June 2010, the Group employed approximately 350 employees (31 December 2009: 272 employees). The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

## **CONTINGENT LIABILITIES**

As at 30 June 2010, the Group did not have any significant contingent liabilities.

## Corporate Governance and Other Information

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

As at 30 June 2010, the relevant interests and short positions of the Directors or chief executive in the shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

#### Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Liu Tien-Tsai	Personal	306,540,000	41.28%

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

The register of substantial shareholders required to be kept under section 336 of Part XV of SFO showed that as at 30 June 2010, the Company was notified of the following substantial shareholders' interests, being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and chief executive:

#### Aggregate long positions in the Shares

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

Note:

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

## COMPETING BUSINESS

As at 30 June 2010, none of the Directors, or any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and which was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective associates (as defined under the GEM Listing Rules) had any interest in a business, which competed or might compete with the business of the Group.

## SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company dated 24 August 2009, a share option scheme ("Share Option Scheme") was approved and adopted. The major terms of the Share Option Scheme are summarised as follows:

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

Details of the share options granted and remaining outstanding as at 30 June 2010 are as follows:

	Date of grant	Exercise price	Exercisable period	Option held at 1 January 2010	Option granted during the period	Options cancelled during the period	Options held at 30 June 2010
Directors of the Company or its subsidiaries ( <i>Note</i> )	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	–	6,420,000	(6,420,000)	–
Continuous contract employees	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	–	11,680,000	–	11,680,000
Consultants	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	–	41,900,000	–	41,900,000
				–	60,000,000	(6,420,000)	53,580,000

*Note:* Share options to subscribe for 1,600,000, 500,000, 500,000, 500,000, 500,000, 500,000 and 500,000 shares were granted to the Directors of the Company, Mr. Kim Eun Back, Mr. Niu Tse-Cheng, Mr. Zheng Yimin, Mr. Chai Chung Wai, Mr. Ching Clement Yat-biu, Mr. Lam Ying Hung Andy and Mr. Luo Xuegang respectively such share options were cancelled.

Share options to subscribe for 320,000, 500,000 and 1,000,000 shares were granted to the directors of the subsidiaries of the Company, Ms. Pan Hsiu-Ying, Mr. Wang Zhengshun and Mr. Wang Shun Lang respectively such share options were cancelled.

These options expire ten years from the date of grant. As at 30 June 2010, 3,828,000 of 53,580,000 options are exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,752,000 of 53,580,000 options are exercisable over five years from the date of grant, with 20% each of the options granted exercisable at six months and first calendar date following four years from the date of grant.

Save as disclosed above, as at 30 June 2010, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates have been granted share options under the Share Option Scheme.

### INTERESTS OF THE COMPLIANCE ADVISER

As notified by Sun Hung Kai International Limited (“SHKI”), the Company’s compliance adviser, neither SHKI nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2010.

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

### Corporate Governance

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

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

The Company is also in the progress of assessing the effect of the implementation of CCGP on the Company’s operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the six months ended 30 June 2010.

### Securities Transactions by Directors

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

### Comparison of Business Objectives With Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group’s actual business progress for the period from 9 September 2009 (the “Listing Date”) to 30 June 2010 is set out below:

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

	<b>Planned use of proceeds as stated in the Prospectus from the Listing Date to 30 June 2010</b>	<b>Actual use of proceeds from the date of listing to 30 June 2010</b>
	RMB'000	RMB'000
Expand funeral services network in other major cities by entering into funeral-services agreement	12,960	4,817
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	21,266	2,699
Expansion of marketing network	1,450	42

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

Due to the above reasons and since certain expansion activities were postponed, the net proceeds applied during the period from the Listing Date to 30 June 2010 are less than expected. The Directors expect that most of the business objectives stated in the Prospectus for the period from the Listing Date to 30 June 2010 will be revisited in the second half of 2010.

All the remaining proceeds as at 30 June 2010 had been placed as interest bearing deposits in banks.



### **Audit Committee**

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

The audit committee has reviewed the financial statements of the Group for the six month period ended 30 June 2010 pursuant to the relevant provisions contained in the CCGP and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 9 August 2010

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