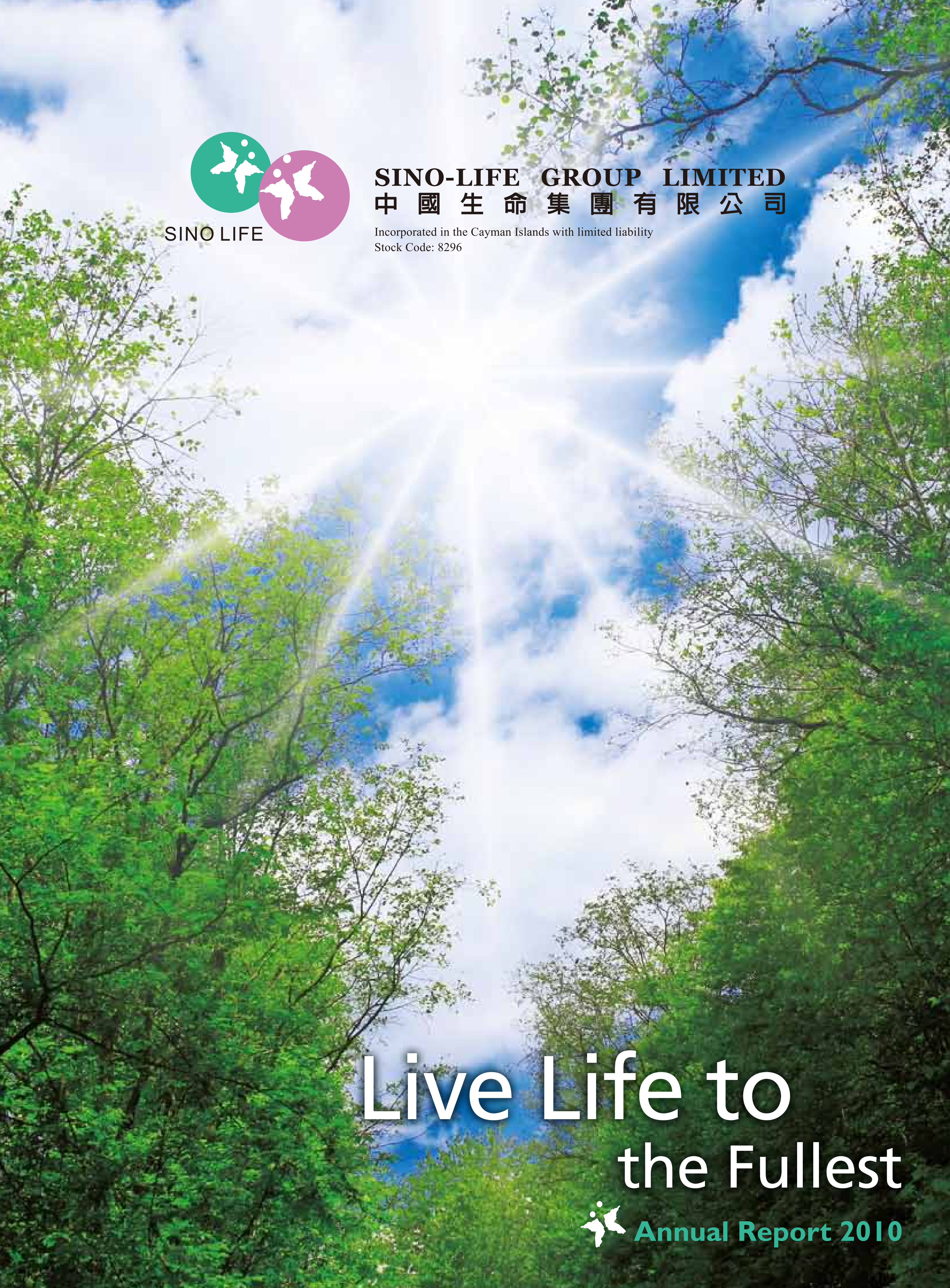


SINO LIFE

SINO-LIFE GROUP LIMITED
中國生命集團有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code: 8296

Live Life to the Fullest

Annual Report 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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*

COMPLIANCE OFFICER

Mr. Liu Tien-Tsai

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

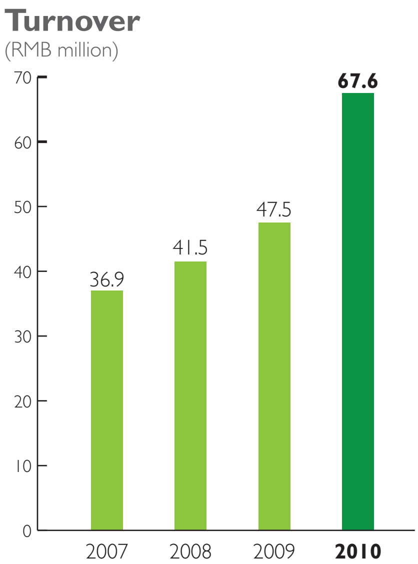
STOCK CODE

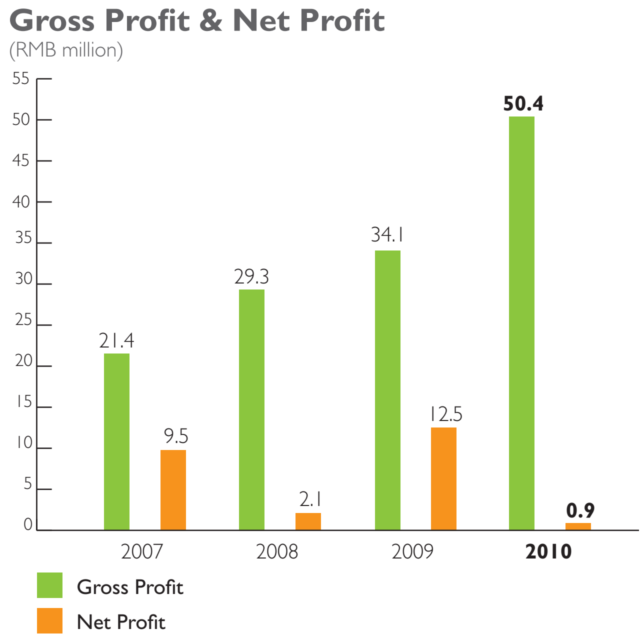
8296

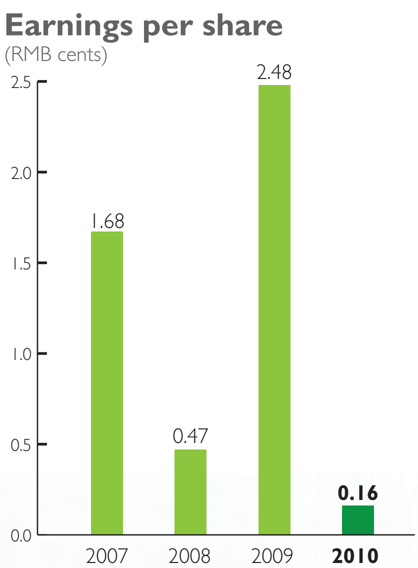
WEBSITE

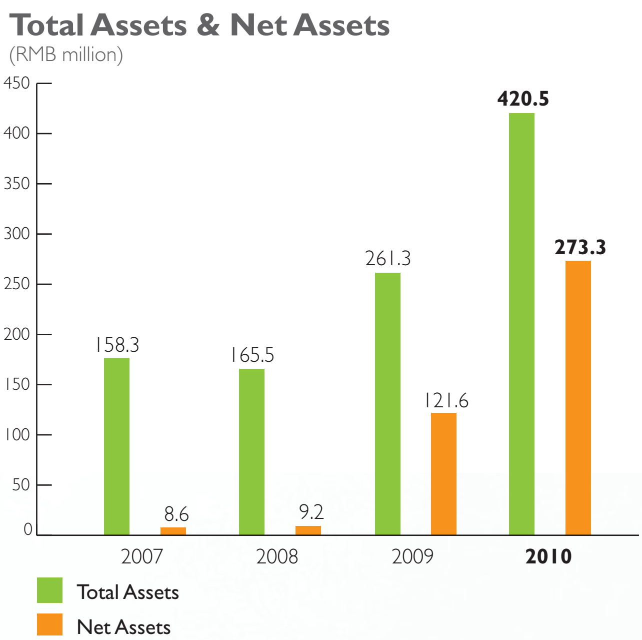
www.sinolifegroup.com

Financial Highlights









Beauty of Life

Chairman's Statement

Chairman’s Statement

Review

On behalf of the board of directors (the “Board”), I am pleased to present the results of Sino-Life Group Limited (“Sino-Life” or the “Company”) and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2010 (“Year 2010”).

During the past year, the Group continued to optimise its existing businesses and actively expand its regional coverage on the strength of its robust business platform. At the same time, through collaboration with academia and industry counterparts, the Group has advanced the professionalism of the funeral industry, while strengthening its corporate image and brand impact in its dedication to provide more professional and excellent services. We have achieved exceptional results through our efforts across a number of areas.

In optimising our existing businesses, as the first funeral industry operator to attain ISO 9002 international quality certification in Asia, the Group has established comprehensive Standard Operation Procedures (SOP) while providing standardised and high quality professional services to clients. During the past year, the Group continued to arrange rigourous training programmes to employees and recruit more professionals, while it proceeded with an injection of capital to replace facilities for a new and existing operation base, aiming to satisfy market demand for quality and professional services.

The Group expanded its coverage, entering into management contracts for An Fu Funeral Service Centre in Jiangbei District in Chongqing and Rongchang County Funeral Parlour in Chongqing during the year under review, thereby enlarging our operational presence in Chongqing. The Group also planned to extend the business into Zhejiang Province by establishing funeral service centres in Ningbo. In November 2010, the Group further launched its complete lifetime service deed, “Complete Lifetime Service Deed”, officially in Hong Kong. Sino-Life is the first listed company to offer such a service in Hong Kong and this marks the first foray for our business in an area outside the PRC and Taiwan.

In collaboration with academic institutions and the industry, the Group sponsored the “Hong Kong Funeral Industry Development Forum（香港殯葬業發展論壇）” organised by The Hong Kong Polytechnic University to advance the professionalism of the Hong Kong funeral industry. Since its establishment during 1998 in Taiwan, the Group has paid great attention during its collaboration with universities to the integration of theory with practice. After entering the PRC market, the Group’s commitment to cooperate with academia continues. This approach not only promoted the professionalism of the funeral industry and integrates theory with practice, but also enables the public to have a deeper understanding of the industry. The Group worked together with the Public Policy Research Institute of The Hong Kong Polytechnic University to carry out preliminary research on the profile of Hong Kong’s funeral industry. The research results have revealed that there is a strong demand for specialisation, standardisation and unification of funeral services, which offers opportunities for the future of the Hong Kong funeral industry.

For the 12 months ended 31 December 2010, the Group’s turnover was RMB67.6 million (2009: RMB47.5 million), of which the PRC market accounted for 81.5% and the Taiwan market accounted for the remaining 18.5%. Due to the increased proportion of income from the PRC market, gross profit margin also experienced a rise to 74.5% from 71.8% in the corresponding period of the last year. Profit attributable to shareholders was RMB1.1 million (2009: RMB12.5 million).

Although the Group has only been listed in Hong Kong for just over a year, it has gained tremendous trust and confidence in its business prospects from investors in capital markets. In April 2010, the Group successfully placed its shares to investors by way of top-up placing, which provided strong and stable financial support for its development.

Prospects

Our new office in Hung Hom, Hong Kong was officially opened and commenced service in January 2011 and the sales department promotes our new product there, "Complete Lifetime Service Deed". Sino-Life (Hong Kong) Limited, a directly wholly owned subsidiary of the Company has been granted by the Director of Food and Environmental Hygiene the licence to carry on the business of an undertaker of burials and offers funeral services to the public in Hong Kong. The official opening of the sales department enables customers to have a further understanding of the benefits associated with our pioneering complete lifetime service deed. This understanding would enhance the market confidence considerably, which is of significant importance for the Group in promoting the lifetime service deed aggressively.

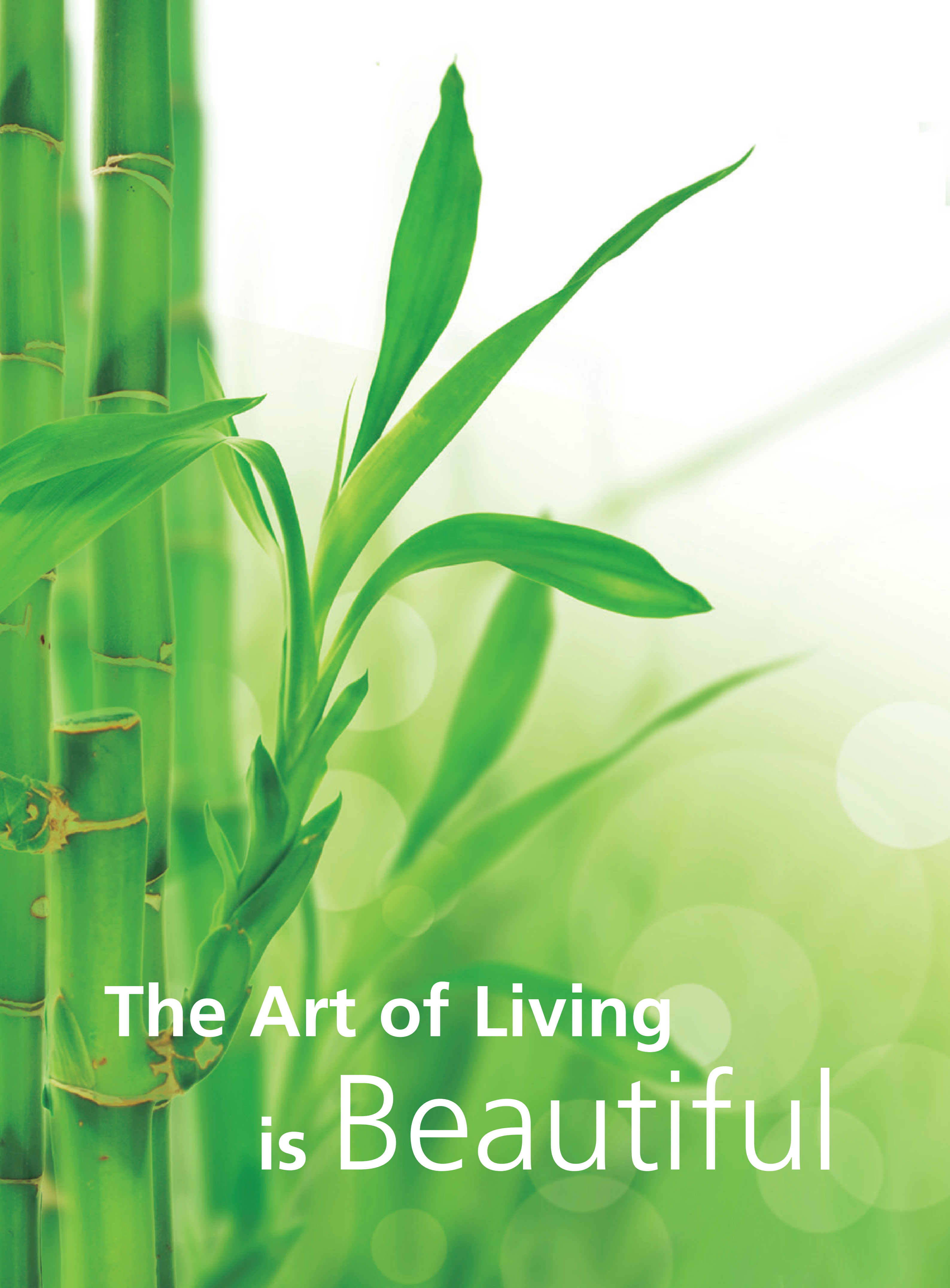
Elsewhere, the Group has officially entered into a management contract with Chongqing Nanan District Lian Hua Tang Funeral Service Limited（重慶市南岸區蓮花堂殯儀服務有限公司）("Lian Hua Tang") on 30 December 2010. Lian Hua Tang with its operational premises, facilities, equipments and production items being located in Nanan District, Chongqing（重慶市南岸區）is able to offer customers cremation services and other resources through collaboration with Jiang Nan Funeral Parlour, thereby achieving synergies. With its strategic location and large site area, Lian Hua Tang can provide high quality one-stop funeral services for the residents in the densely-populated Nanan District, Jiangbei District and Yuzhong District within Chongqing.

The PRC and Hong Kong would continue to be the Group's key development regions while business in Taiwan moves forward steadily. The management is able to apply its professional and distinctive business model effectively in different regions to capture opportunities simultaneously in other regions with huge potential, such as Southeast Asia to further expand our business coverage.

Leveraging the Group's strategic business development augmented by sufficient funding, the management is confident that it will bring long-term returns and substantial value to the shareholders.

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

Liu Tien-Tsai
Chairman
Hong Kong, 22 March 2011


The Art of Living
is Beautiful

Management Discussion and Analysis

Management Discussion and Analysis

Business Review

The Group's turnover derived from the PRC market was RMB55.1 million for the year ended 31 December 2010, representing an increase of 62.5% from the same period last year, and accounted for 81.5% of the Group's turnover. Gross profit of the Group's core funeral services business in the PRC remained at a high level at approximately 80.6%.

In 2010, the Group provides principally management services to Chongqing Jiang Nan Funeral Parlour（重慶市江南殯儀館）, Chongqing Tian Fu Funeral Service Centre（重慶市天福堂治喪中心）, Chongqing Zhong County Funeral Parlour（重慶市忠縣殯儀館）, An Fu Fureral Service Centre（安福堂治喪中心）in Chongqing and Yibin Funeral Service Centre（宜賓治喪中心）in Sichuan Province, the PRC. In addition, the Group will establish a funeral service centre in Ningbo, Zhejiang Province through a joint venture, while the funeral parlour in Rongchang County, Chongqing had officially commenced operations on 31 December 2010. While expanding the business, the Group has dedicated considerable resources to upgrade facilities, improve conditions, as well as recruit more professional staff.

The Group ceased to provide management services to Chongqing Tian Fu Funeral Service Centre and Yibin Funeral Service Centre in December 2010.

In May 2010, the Group expanded its funerary business in Hong Kong by entering into a framework agreement to establish a subsidiary with five partners. This not only signifies a business extension of the Group beyond Mainland China and Taiwan, but also is a recognition of acceptance by the funeral related industry sectors in Hong Kong. Among the five partners of the subsidiary, the Group was 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 of shares to various strategic investors in April 2010. The placing not only enlarged the shareholders' base and the share capital base of the Group, but more importantly, has provided stronger capital support which should prove to be beneficial to the Group's development and scale of operation. The Group has placed 120,000,000 shares to strategic investors at the placing price of HK$1.50 per placing share. The net proceeds from this capital raising exercise were approximately HK$170,200,000.

Turnover derived from the Taiwan market was RMB12.5 million for the year ended 31 December 2010, representing a decrease of 8.1% from the same period last year, and accounted for 18.5% of the Group's turnover.

In Taiwan, the Group is principally engaged in the sales of funeral services deeds, which was accounted for by the Group as receipt in advance, and provides funeral arrangement services to funeral services Deed Holders and non-funeral services Deed Holders, which are accounted for by the Group as revenue. The Group had 15 major sales agents in Taiwan. In order to support the business development of the Group in Taiwan, the Group operates four service centres at Taipei, Hsinchu, Changhua and Kaohsiung.

Prospects

As the Group promotes its new product, "Complete Lifetime Service Deed", the Group's office in Hung Hom, Hong Kong (the "Hunghom Office") was officially opened and went into operation in January 2011. Sino-Life (Hong Kong) Limited, a directly wholly owned subsidiary of the Company has been granted by the Director of Food and Environmental Hygiene the licence to carry on the business of an undertaker of burials pursuant to the Undertakers of Burials Regulation, Chapter 132CB of the Laws of Hong Kong. The official opening of the Group's sales department in the Hunghom Office enables customers to have more direct and in-depth understanding of the nature of Complete Lifetime Service Deed, and has enhanced market confidence in such deed and business, which is of material importance in the sale of Complete Lifetime Service Deed extensively.

On the other hand, the Group has entered into a management contract with Chongqing Nanan District Lian Hua Tang Funeral Service Limited（重慶市南岸區蓮花堂殯儀服務有限公司）("Lian Hua Tang") on 30 December 2010. Lian Hua Tang with its operational premises, facilities, equipments and production items being located in Nanan District, Chongqing（重慶市南岸區）is able to offer customers cremation services and other resources through collaboration with Jiang Nan Funeral Parlour, thereby achieving synergies. With its strategic location and large site area, Lian Hua Tang can provide high quality one-stop funeral services for the residents in the densely-populated Nanan District, Jiangbei District and Yuzhong District within Chongqing.

The PRC and Hong Kong would continue to be the Group's key development regions while business in Taiwan moves forward steadily. The management is able to apply its professional and efficient business model effectively in different regions to capture opportunities simultaneously in other regions with huge potential, such as Southeast Asia to further expand the Group's business coverage.

Financial review

Turnover

The turnover arising from principal activities for the year ended 31 December 2010 was approximately RMB67.6 million (2009: approximately RMB47.5 million), representing an increase of approximately 42.3% as compared to 2009. The increase of total revenue was mainly due to the expansion of operations in the PRC during the year, achieving a turnover of approximately RMB55.1 million (2009: approximately RMB33.9 million), representing an increase of approximately 62.5%. However, there was a constraint on growth of its operations in Taiwan. The turnover generated by the Taiwan operations was approximately RMB12.5 million (2009: approximately RMB13.6 million), representing a decrease of approximately 8.1% 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 71.4% for 2009 to approximately 81.5% for 2010. The portion of the Group's total turnover in Taiwan decreased from approximately 28.6% for 2009 to approximately 18.5% for 2010.

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 78.8%, amounting to approximately RMB40.4 million (2009: approximately RMB22.6 million). The rise was mainly due to (i) the increase in the number of funeral services provided from 1,737 for 2009 to 2,715 for 2010; and (ii) the average spending per service provided from RMB13,060 for 2009 to RMB14,886 for 2010. 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 2010. The increase in average spending was due to the increase in the consumer spending power in 2010 and the fact that higher fees could be charged after refurbishment of the funeral service centres.

Management Discussion and Analysis

The turnover from the cremation services slightly increased by 1.8%, amounting to approximately RMB11.5 million (2009: approximately RMB11.3 million). The increase was mainly due to the increase in the number of cremation services provided from 7,289 for 2009 to 9,425 for 2010. The average spending per service provided decreased from RMB1,547 for 2009 to RMB1,219 for 2010. The increase of the number of cremation services was due to the increase in number of funeral parlours managed by the Group with cremation facilities whereas the decrease in average spending was due to lower average spending in the newly managed funeral parlour during the year. 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 RMB12.5 million (2009: approximately RMB13.6 million), representing a slight decline of 8.1% over last year. It was due to the intense competition in the Taiwan funeral service industry and the Directors believe that the market in Taiwan is saturated and room for growth is limited. Thus, the number of cases for the funeral arrangement services dropped in 2010 and resulted in the decrease in the total turnover here.

Gross Profit and Gross Profit Margin

Gross profit rose by 47.8% to approximately RMB50.4 million (2009: approximately RMB34.1 million), and gross profit margin increased to approximately 74.5% (2009: approximately 71.8%). The gross profit margin of funeral services provided in funeral parlour and funeral service centres under the Group's management increased to approximately 78.0% (2009: approximately 76.8%) which was mainly due to the growth in average spending per service by 14.0%. The gross profit margin of cremation services decreased to approximately 86.1% (2009: approximately 90.4%) which was mainly due to the decrease in average spending per service by 21.2% and that of funeral arrangement services in Taiwan remained nearly the same of approximately 48.0% (2009: approximately 47.9%).

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.

Profit for the Year

In 2010, profit attributable to owners of the Company for the year decreased by 91.2% from 2009 to approximately RMB1.1 million (2009: approximately RMB12.5 million). The decrease was mainly due to (i) the expense recognition of the share-based payments arising from share options granted to employees and consultants; (ii) the increase in administrative costs after the listing of the Company on the GEM of the Stock Exchange; and (iii) the preliminary expenditure for the commencement of business operation in Hong Kong.

Selling expenses increased by approximately 63.2% to approximately RMB19.1 million (2009: approximately RMB11.7 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 28.3% (2009: approximately 24.6%). Administrative expenses rose by approximately 129.9% to approximately RMB33.1 million (2009: approximately RMB14.4 million) as a result of the continuous expansion of the Group's PRC business which had increased the depreciation and amortisation resulting from the increase in investment in the property, plant and equipment in the PRC and increased staff costs due to increase in number of staff. The proportion of administrative expenses to turnover was approximately 49.0% (2009: approximately 30.3%). Finance costs dropped by approximately 57.1% to approximately RMB0.3 million (2009: approximately RMB0.7 million) because of the decline in bank interest rates. Income tax expense slightly increased by approximately 2.3% to approximately RMB4.4 million (2009: approximately RMB4.3 million). The effective tax rate of the Group was approximately 82.8% (2009: approximately 25.6%). The increase in the effective tax rates was due to the decrease of non-taxable gains in the fair value of financial assets and increase of unused tax losses not recognised for 2010.

Liquidity, Financial Resources and Capital Structure

The Group maintains a stable financial position. As at 31 December 2010, the Group had bank balances and cash of approximately RMB242.7 million (2009: approximately RMB112.7 million) and bank and other loans and obligation under finance lease of approximately RMB14.4 million (2009: approximately RMB15.1 million). All bank and other loans were denominated in New Taiwan Dollars, at prevailing market interest rate. During the year, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowing to the total assets of the Group was 3.4% as at 31 December 2010 (2009: 5.8%).

Exposure to Fluctuation in Exchange Rates

During the year, the Group's operations are geographically based in the PRC and Taiwan. The revenue derived from Taiwan accounted for approximately 18.5% (2009: approximately 28.6%) 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 2010, 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 31 to the Consolidated Financial Statements.

Significant Acquisitions and Disposal of Investments

For the year ended 31 December 2010, the Group did not have any significant acquisition and disposal of investment.

Management Discussion and Analysis

The Number and Remuneration of Employees

As at 31 December 2010, the Group employed approximately 362 employees (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.

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 RMB28.0 million (2009: RMB25.4 million).

Contingent Liabilities

As at 31 December 2010, the Group did not have any contingent liabilities (2009: Nil).

Capital Expenditure

For the year ended 31 December 2010, capital expenditure of the Group for property, plant and equipment amounted to approximately RMB8.0 million (2009: approximately RMB6.1 million).

Capital Commitments

As at 31 December 2010, the Group had capital expenditure contracted for but not provided in the financial statements amounting to approximately RMB9.1 million (2009: approximately RMB5.1 million).

Comparison of Business Objectives With Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from 9 September 2009 (the "Listing Date") to 31 December 2010 is set out below:

	Business objectives for the period from the Listing Date to 31 December 2010 as stated in the Prospectus	Actual business progress up to 31 December 2010
1.	Expand funeral services network in other major cities by entering into funeral-services agreement	The Group has implemented two 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. The Group has also signed other two new subcontracting agreements during 2010.
2.	Develop business in columbarium in Taiwan	As disclosed in the announcement by the Company on 5 January 2011, the register for the owner of the columbarium was changed. At present, the new owner is still negotiating with Bau Shan Life Science Technology Co., Ltd.（寶山生命科技股份有限公司）("Bau Shan"), the direct subsidiary of the Company, as to the continuance of the agency agreement to sell cubicles and space for urn storage in the columbarium (the "Products") in Miaoli County in Taiwan or the sale of the columbarium (and the Products) to Bau Shan.
3.	Purchase of funeral service equipment and facilities	The Group is conducting the feasibility study on advanced equipment and facilities designated for funeral.
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 and organised and sponsored a forum and research on the funeral industry.

Management Discussion and Analysis

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 2010, 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 2010	Actual use of proceeds from the date of listing to 31 December 2010
	RMB'000	RMB'000
Expand funeral services network in other major cities by entering into funeral-services agreement	12,960	9,170
Develop business in columbarium in Taiwan	11,560	–
Purchase of funeral service equipment and facilities	28,600	3,588
Refurbishment of new and existing service centres	17,516	8,478
Expansion of marketing network	650	650

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 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 31 December 2010 will be revisited in the first half of 2011.

All the remaining proceeds as at 31 December 2010 had been placed as interest bearing deposits in banks.

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 provision A.2.1, the Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2010. The CCGP code provision A.2.1 requires the roles of the Chairman and Chief Executive Officer of the Company should not be performed by the same individual. Since the Company's size is still relatively small, it is not justified in separating the role of Chairman and Chief Executive Officer. The Group has in place internal control system to perform the check and balance function. 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 Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct from the date of listing of the Company's Shares on the Stock Exchange up to 31 December 2010.

Board of Directors

As at 31 December 2010, 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 21 to 24 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. For the year ended 31 December 2010, the Board held six meetings. 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	5/6
Mr. Kim Eun Back	4/6
Mr. Niu Tse-Cheng	4/6
Mr. Zheng Yimin	2/6
Mr. Ching Clement Yat-biu	3/6
Mr. Chai Chung Wai	6/6
Mr. Lam Ying Hung Andy	5/6
Mr. Luo Xuegang	4/6

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 CCGP provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

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

Appointment, Re-Election and Removal

Under the CCGP 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 CCGP, 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 CCGP. 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.

One meeting has been held by the nomination committee on 22 March 2010 and all the present committee members attended the meeting.

Remuneration Committee

The Company established a remuneration committee in August 2009 with written terms of reference in compliance with the CCGP. 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 the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the 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 and Mr. Luo Xuegang.

One meeting has been held by the remuneration committee on 22 March 2010 and all the present committee members attended the meeting.

Auditors' Remuneration

For the year ended 31 December 2010, the remuneration paid to the auditors, CCIF CPA Limited in respect of audit services amounted to approximately RMB1,154,000 (2009: approximately RMB1,128,000) and non-audit service assignment amounted to approximately RMB130,000 (2009: approximately RMB5,000).

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 and Mr. Chai Chung Wai.

For the year ended 31 December 2010, four meetings were held. The following table shows the attendance of individual Directors at the meetings held during the year:

Mr. Ching Clement Yat-biu	4/4
Mr. Chai Chung Wai	4/4
Mr. Lam Ying Hung Andy	4/4
Mr. Luo Xuegang	3/4

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.

Directors' responsibility for the financial statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2010, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's profit and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about its reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 35 and 36.

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Directors

Executive Directors

Mr. Liu Tien-Tsai（劉添財）, aged 52, 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 44, 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 57, 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.

Directors and Senior Management

Mr. Zheng Yimin (鄭一民), aged 76, 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 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. 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 66, 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 45, 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 60, 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 professor 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 officer of 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物研究保護中心). 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 43, 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 32, 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 9 years of experience in management in respect of the Group's business and operation.

Mr. Wei Qing Tian (魏慶田), aged 44, 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 53, 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 53, 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.

Directors and Senior Management

Ms. Zhang Ren You (張仁佑), aged 52, 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 23 years of managerial experience in handling the administration and management work.

Company Secretary

Mr. Mok Yu Ting (莫裕庭), aged 34, 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 11 years of experience in auditing, accounting and financial management.

The Board is pleased to present the annual report and the audited consolidated financial statements for the year ended 31 December 2010.

Principal Activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 37 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 2010 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 37 to 104.

The Board does not recommend the payment of any dividend for the year ended 31 December 2010.

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 2010 had been placed as interest bearing deposits in banks.

Summary of Financial Information

	Year ended 31 December			
	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**67,600**	47,544	41,481	36,948
Gross profit	**50,363**	34,138	29,274	21,389
Profit before taxation	**5,355**	16,780	4,034	11,934
Profit attributable to owners of the Company	**1,105**	12,463	2,128	7,555
Basic earnings per share (RMB cents)	**0.16**	2.48	0.47	1.68

	As at 31 December			
	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**46,495**	38,747	33,031	40,855
Current assets	**374,006**	222,561	132,493	117,423
Current liabilities	**133,778**	126,344	142,155	133,070
Net assets	**273,374**	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 37.9% of the total purchases for the year and purchases from the largest supplier included therein amounted to 28.9%.

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

Segment Reporting

Details of segment reporting are set out in note 5 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 16 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 29 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 30 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2010, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately RMB207.4 million.

Donations

Charitable donations made by the Group during the year amounted to RMB36,000 (2009: RMB10,000).

Directors

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

Executive Directors

Mr. Liu Tien-Tsai
Mr. Kim Eun Back

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. Liu Tien-Tsai, Mr. Niu Tse-Cheng and Mr. Ching Clement Yat-biu will retire by rotation in accordance with Article 16.18 of the Article of Association, and, being eligible, offer themselves for re-election in the forthcoming annual general meeting.

Board of Directors and Senior Management

Biographical information of the Directors and senior management of the Group are set out on pages 21 to 24 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 9 and note 10 to the consolidated financial statements.

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

As at 31 December 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) ("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%

Save as disclosed above, as at 31 December 2010, 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 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 (note 1)	Personal	36,632,000	4.93%
	Family interest	5,152,000	0.69%
Yu WenPing (note 1)	Personal	5,152,000	0.69%
	Family interest	36,632,000	4.93%

Note:

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

Directors' Interests in Contracts

Save as disclosed in note 32 to the consolidated financial statements, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Rights to Acquire Shares Or Debentures

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

Continuing Connected Transactions

Exempted Continuing Connected Transactions

Trademark Licence Agreement

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

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

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

Mr. Liu signed a confirmation letter agreeing the licensee, 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.

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 32 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

Purchase, Sale and Redemption of the Shares

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

Management Contracts

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

Directors' Interest in a Competing Business

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

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 December 2010 are set out in note 24 to the consolidated financial statements.

Retirement Schemes

Particulars of the retirement schemes of the Group are set out in note 15 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 to 5.67 of the GEM Listing Rules relating to 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 2010.

Share Option Scheme

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

(a) The purpose of the Share Option Scheme is to enable the Company to grant options to participants as incentive or rewards for their contributions to the Group.

(b) The participants include (i) any full-time or part-time employee of the Company and/or any of its subsidiaries including any executive directors and any non-executive directors (including independent non-executive directors); and (ii) any consultants, advisers, agents, partners or joint-venture partners of the Company and/or any of its subsidiaries.

(c) The exercise price of a share option under the Share Option Scheme will not be less than the highest of (i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (ii) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (iii) the nominal value of a share on the offer date of the particular option.

(d) The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the shares in issue immediately upon completion of the placing and the capitalisation issue ("General Scheme Limit").

(e) Unless approved by the Company's shareholders, the total number of shares issued and to be issued upon exercise of the options granted to any one participant in any twelve-month period up to the date of grant of the Options must not exceed 1% of the shares in issue at the date of the grant of the options.

(f) An offer shall be made to participants in writing and shall remain open for acceptance by the participants concerned for a period of 30 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the scheme. An offer shall be deemed to have been accepted by the participant concerned in respect of all shares which are offered to such participant when the duplicate letter comprising acceptance of the offer duly signed by the participant, together with HK$10 by way of consideration for the grant thereof is received by the Company.

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

(h) An option shall be exercisable in whole or in part in the circumstances by giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is so exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for shares in respect of which the notice is given.

Details of the share options granted and remaining outstanding as at 31 December 2010 are as follows:

	Date of grant	Exercise price	Exercisable period	Option held at 1 January 2010	Option granted during the year	Options cancelled during the year	Options lapsed during the year	Reclassification	Options held at 31 December 2010
Directors of the Company or its subsidiaries (Note)	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	–	6,420,000	(6,420,000)	–	1,600,000	1,600,000
Continuous contract employees	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	–	11,680,000	–	(744,000)	–	10,936,000
Consultants	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	–	41,900,000	–	–	(1,600,000)	40,300,000
				–	60,000,000	(6,420,000)	(744,000)	–	52,836,000

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 and 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 and such share options were cancelled.

Share options to subscribe for 1,600,000 shares was granted to Mr. Mak King Sau ("Mr. Mak") on 11 February 2010. On 10 August 2010, Mr. Mak was appointed as the director of Sino-Life Eternities Limited and Sino-Life Eternities Services Limited, the subsidiaries of the Company.

These options expire ten years from the date of grant. As at 31 December 2010, 3,084,000 of 52,836,000 options were exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,752,000 of 52,836,000 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 31 December 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.

Sufficiency of Public Float

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

Pre-Emptive Rights

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

Corporate Governance

Save and except the deviation from the code provision A.2.1 set out in the CCGP as contained in Appendix 15 to the GEM Listing Rules, the Company had, during the year, complied with the CCGP.

The Group's compliance with the code provisions is set out in the Corporate Governance Report from page 17 to page 20 of this annual report.

Interests of the Compliance Adviser

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

Auditors

CCIF CPA Limited has acted as auditors of the Company for the year ended 31 December 2010.

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 2011

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 (together the "Group") set out on pages 37 to 104, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 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 2011
Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Turnover	5(a)	**67,600**	47,544
Cost of sales		**(17,237)**	(13,406)
Gross profit		**50,363**	34,138
Other revenue	6	**6,319**	7,295
Other net gain/(loss)	6	**2,691**	4,271
Selling expenses		**(19,149)**	(11,731)
Administrative expenses		**(33,116)**	(14,368)
Other operating expenses		**(1,457)**	(2,101)
Profit from operations		**5,651**	17,504
Finance costs	7(a)	**(296)**	(724)
Profit before taxation	7	**5,355**	16,780
Income tax	8	**(4,435)**	(4,317)
Profit for the year		**920**	12,463
Other comprehensive loss for the year (after tax and reclassification adjustments)	11		
Surplus on revaluation of land and buildings held for own use		**905**	526
Exchange differences on translation of financial statements of foreign operations		**(3,225)**	(965)
Other comprehensive loss for the year, net of tax		**(2,320)**	(439)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(1,400)**	12,024
Profit/(loss) attributable to:			
Owners of the Company	12	**1,105**	12,463
Non-controlling interest		**(185)**	–
		920	12,463
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(1,167)**	12,024
Non-controlling interest		**(233)**	–
		(1,400)	12,024
Earnings per share	13		
Basic and diluted		**RMB0.16 cents**	RMB2.48 cents

The notes on pages 43 to 104 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**46,491**	38,741
Intangible assets	17	**4**	6
		46,495	38,747
CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss	18	**44,573**	42,326
Inventories	19	**683**	242
Trade and other receivables	20	**86,037**	67,264
Cash and cash equivalents	21	**242,713**	112,729
		374,006	222,561
CURRENT LIABILITIES			
Trade and other payables	22	**5,913**	3,659
Receipt in advance	23	**125,052**	118,218
Current portion of bank borrowings	24	**731**	1,484
Current portion of other loans	25	**303**	267
Current portion of obligation under finance lease	26	**9**	–
Current taxation	27(a)	**1,770**	2,716
		(133,778)	(126,344)
NET CURRENT ASSETS		**240,228**	96,217
TOTAL ASSETS LESS CURRENT LIABILITIES		**286,723**	134,964
NON-CURRENT LIABILITIES			
Bank borrowings	24	**11,164**	11,031
Other loans	25	**2,176**	2,323
Obligation under finance lease	26	**9**	–
		(13,349)	(13,354)
NET ASSETS		**273,374**	121,610
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	29	**69,218**	58,706
Reserves	30	**204,370**	62,904
		273,588	121,610
Non-controlling interest		**(214)**	–
TOTAL EQUITY		**273,374**	121,610

Approved and authorised for issue by the board of directors on 22 March 2011.

Liu Tien-Tsai
Chairman

Kim Eun Back
Executive Director

The notes on pages 43 to 104 form part of these financial statements.

Statement of Financial Position

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	37	**42,830**	42,830
Intangible assets	17	**3**	4
		42,833	42,834
CURRENT ASSETS			
Other receivables	20	**88,303**	32,798
Cash and cash equivalents	21	**150,430**	68,337
		238,733	101,135
CURRENT LIABILITIES			
Other payables	22	**(5,965)**	(5,952)
NET CURRENT ASSETS		**232,768**	95,183
NET ASSETS		**275,601**	138,017
CAPITAL AND RESERVES			
Share capital	29	**69,218**	58,706
Reserves	30	**206,383**	79,311
TOTAL EQUITY		**275,601**	138,017

Approved and authorised for issue by the board of directors on 22 March 2011.

Liu Tien-Tsai
Chairman

Kim Eun Back
Executive Director

The notes on pages 43 to 104 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Statutory surplus reserve RMB'000	Properties revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Convertible bonds equity reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 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/(loss)													
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 Loss	–	–	–	–	–	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 (note 29(b))	62	16,663	–	–	–	–	–	(496)	–	–	16,229	–	16,229
Capitalisation issue (note 29(c))	43,049	(43,049)	–	–	–	–	–	–	–	–	–	–	–
Issue of shares under public placing (note 29(d))	13,246	81,973	–	–	–	–	–	–	–	–	95,219	–	95,219
Issue of shares on exercise of over-allotment options (note 29(e))	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**
At 1 January 2010	**58,706**	**82,204**	**(16,261)**	**225**	**838**	**851**	**1,947**	**–**	**–**	**(6,900)**	**121,610**	**–**	**121,610**
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	–	1,105	1,105	(185)	920
Other comprehensive income/(loss)													
Surplus on revaluation of land and buildings held for own use	–	–	–	–	–	905	–	–	–	–	905	–	905
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(3,177)	–	–	–	(3,177)	(48)	(3,225)
Total other comprehensive loss	–	–	–	–	–	905	(3,177)	–	–	–	(2,272)	(48)	(2,320)
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**905**	**(3,177)**	**–**	**–**	**1,105**	**(1,167)**	**(233)**	**(1,400)**
Transactions with owners													
Shares issued upon placing of new shares (note 29(f))	10,512	147,241	–	–	–	–	–	–	–	–	157,753	–	157,753
Transaction costs attributable to share issued upon placing of new shares	–	(8,812)	–	–	–	–	–	–	–	–	(8,812)	–	(8,812)
Equity-settled share-based payments	–	–	–	–	–	–	–	–	4,204	–	4,204	–	4,204
Capital contribution received by a non-wholly owned subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	19	19
Profit appropriation to reserves	–	–	–	–	712	–	–	–	–	(712)	–	–	–
Total transactions with owners	**10,512**	**138,429**	**–**	**–**	**712**	**–**	**–**	**–**	**4,204**	**(712)**	**153,145**	**19**	**153,164**
At 31 December 2010	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**1,756**	**(1,230)**	**–**	**4,204**	**(6,507)**	**273,588**	**(214)**	**273,374**

The notes on pages 43 to 104 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**5,355**	16,780
Adjustments for:			
Amortisation of intangible assets		**2**	2
Finance costs		**296**	724
Surplus on revaluation of land and buildings held for own use		**(517)**	(56)
Depreciation		**2,085**	1,325
Derecognition of property, plant and equipment		**1,126**	–
Derecognition of inventories		**107**	–
Interest income		**(1,806)**	(35)
Net realised and unrealised gain on financial assets designated as at FVTPL		**(1,356)**	(4,098)
Net realised gain on trading securities		**(1,221)**	–
		(1,284)	(2,138)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		**4,071**	14,642
Increase in inventories		**(548)**	(80)
Increase in prepayments, deposits and other receivables		**(16,089)**	(649)
Decrease in trade receivables		**–**	21
Decrease in financial assets designated as at fair value through profit or loss		**1,876**	2,058
Increase in trade payables		**484**	109
Increase in accruals and other payables		**1,779**	748
Decrease in receipt in advance		**(945)**	(2,634)
		(13,443)	(427)
CASH (USED IN)/GENERATED FROM OPERATIONS		**(9,372)**	14,215
Income tax paid			
Taiwan enterprise income tax paid		**(2,879)**	(3,152)
PRC enterprise income tax paid		**(1,756)**	(1,621)
		(4,635)	(4,773)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(14,007)**	9,442
INVESTING ACTIVITIES			
Decrease in due from a director		**–**	5,765
Decrease in due from related parties		**–**	5,589
Payment for acquisition of property, plant and equipment		**(8,043)**	(6,082)
Proceeds from disposal of property, plant and equipment		**15**	–
Payment for purchase of trading securities		**(188,921)**	–
Proceeds from disposal of trading securities		**191,242**	–
Increase/(decrease) in fixed deposits		**67,467**	(68,363)
Interest received		**1,806**	35
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**63,566**	(63,056)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
FINANCING ACTIVITIES			
Capital element of finance lease rentals paid		**(18)**	(1)
Interest element of finance lease rentals paid		**(1)**	–
Repayment of bank borrowings		**(1,376)**	(289)
Interest on bank borrowings		**(205)**	(274)
Repayment of other loans		**(270)**	(246)
Interest on other loans		**(90)**	(100)
Proceeds from issue of new shares		**157,753**	109,498
Expenses incurred in connection with the issue of shares		**(8,812)**	(25,303)
Effective interest expenses on convertible bonds		**–**	(350)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**146,981**	82,935
NET INCREASE IN CASH AND CASH EQUIVALENTS		**196,540**	29,321
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,745**	(319)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**44,428**	15,426
CASH AND CASH EQUIVALENTS AT END OF YEAR		**242,713**	44,428
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank and on hand	21	**242,713**	44,428

The notes on pages 43 to 104 form part of these financial statements.

1. General Information

Sino-Life Group Limited (the "Company") was incorporated on 24 February 2005 in the Cayman Islands as an exempted company with limited liability under the Companies Law (2004 Revision). Its shares are listed on the Growth Enterprise Market 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.

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:

(a) 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 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.

(b) On 12 July 2007, the Company acquired 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.

(c) On 20 December 2007, the Company acquired 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.

(d) On 21 December 2007, Full Spread acquired 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. Significant Accounting Policies

(a) Statement of compliance

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

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– freehold land and buildings (see note 3(e)); and

– financial assets designated as at fair value through profit or loss (see note 3(g)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 39.

3. Significant Accounting Policies (Continued)

(c) Business combination

(i) Business combinations on or after 1 January 2010

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

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

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

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

- liabilities or equity instruments relating to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

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

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

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

3. Significant Accounting Policies (Continued)

(c) Business combination (Continued)

(i) Business combinations on or after 1 January 2010 (Continued)

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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

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

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

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

(ii) Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

3. Significant Accounting Policies (Continued)

(c) Business combination (Continued)

(ii) Business combinations prior to 1 January 2010 (Continued)

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

(iii) Merger accounting

Merger accounting is applied in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations.

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

3. Significant Accounting Policies (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

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

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

3. Significant Accounting Policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

In the Company's statement of financial position, investment in the subsidiaries is stated at cost less impairment losses (see note 3(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Property, plant and equipment

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

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

The other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 3(n)).

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

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

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

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.

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

3. Significant Accounting Policies (Continued)

(e) Property, plant and equipment (Continued)

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

– freehold land is not depreciated;

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

– other fixed assets are depreciated on a straight-line method over their estimated useful lives as follows:

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

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

(f) Leased assets

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

(i) Classification of assets leased to the Group

Assets held by 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 3(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(n). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3. Significant Accounting Policies (Continued)

(f) Leased assets (Continued)

(iii) Operating lease charges

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

(g) Financial instruments

Financial assets and financial liabilities are recognised 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 profit or loss.

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 to the net carrying amount on initial recognition.

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

3. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

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.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or

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

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

A financial 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.

Financial assets at FVTPL are stated at fair value, any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates 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. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses.

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

3. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under equity. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss.

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 are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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 affected.

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

For impairment on all other financial assets, please refer to note 3(n).

Financial liabilities and equity instruments

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.

Equity instruments

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

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

3. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

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
- on initial recognition, 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.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeaurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest 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 to the net carrying amount on initial recognition.

Interest expenses is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL.

3. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Convertible bonds

Convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. 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 an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. The amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion 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 recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and are amortised over the period of the convertible bonds using the effective interest method.

Derecognition

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

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

3. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Derecognition (Continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognizes under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those part on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

(h) 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 any 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 profit or loss when the asset is derecognised.

(i) Inventories

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

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

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

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

3. Significant Accounting Policies (Continued)

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3(n)).

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

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

(n) Impairment of assets

(i) Impairment of receivables

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

– significant financial difficulty of the debtor;

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

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

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

3. Significant Accounting Policies (Continued)

(n) Impairment of assets (Continued)

(i) Impairment of receivables (Continued)

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

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets; and

– investments in subsidiaries.

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

– Calculation of recoverable amount

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

3. Significant Accounting Policies (Continued)

(n) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(n)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(o) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the 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) Share-based payments

(a) Share options granted to employees

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

3. Significant Accounting Policies (Continued)

(o) Employee benefits (Continued)

(ii) Share-based payments (Continued)

(a) Share options granted to employees (Continued)

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

(b) Share options granted to consultants

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

(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.

(p) 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 profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

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

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

3. Significant Accounting Policies (Continued)

(p) Income tax (Continued)

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

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

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

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

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

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.

3. Significant Accounting Policies (Continued)

(q) 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.

(r) Revenue recognition

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

(i) Provision of services

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

(iv) Interest income

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

(v) Commission income

Commission income represents the income received or receivable from 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.

3. Significant Accounting Policies (Continued)

(s) Translation of foreign currencies

(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 that date. 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.

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 separately in equity under the heading of foreign currency translation reserve.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(t) Borrowing costs

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

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

3. Significant Accounting Policies (Continued)

(u) Related parties

For the purpose of these financial statements, a party is 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.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's 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 nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

The HKICPA has issued the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period:

- HKFRS 2 (Amendments), Group cash-settled share-based payment transactions
- HKFRS 3 (revised 2008), Business combinations
- HKAS 27 (revised 2008), Consolidated and separate financial statements
- HKAS 39 (Amendments), Financial instruments: Recognition and measurement – eligible hedged items
- HK(IFRIC) 17, Distributions of non-cash assets to owners
- HK (Int) 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause
- HKFRSs (Amendments), Improvements to HKFRSs issued in 2009
- HKFRSs (Amendments), Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (revised 2008), Business combinations

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the requirements under HKFRS 3 (revised 2008). Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. Consequently, the goodwill recognised in respect of the acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the recognised amount of the identifiable net assets of the acquiree.

4. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

HKFRS 3 (revised 2008), Business combinations (Continued)

- HKFRS 3 (revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments, if any, to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, with those costs being recognised as an expense in profit or loss as incurred. Previously, they were accounted for as part of the cost of the acquisition.

HKFRS 3 (revised 2008) requires that where the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

HKAS 27 (revised 2008), Consolidated and Separate Financial Statements

The application of HKAS 27 (amended 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Previously, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised. For decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (amended 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

4. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

HKAS 27 (revised 2008), Consolidated and Separate Financial Statements (Continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (amended 2008) requires the derecognition of all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In accordance with the transitional provisions of HKAS 27, these changes in accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Revisions to HKAS 27 (revised 2008) have not had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of such previous transactions.

5. 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:

	2010 **RMB'000**	2009 RMB'000
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**40,415**	22,686
Cremation services	**11,486**	11,278
Funeral arrangement services	**12,530**	13,580
Cemetery services	**3,169**	–
	67,600	47,544

(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.

5. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

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 non-current assets. The geographical location of customers is referred to the location at which the services were provided. The Group's non-current assets included property, plant and equipment and intangible assets. The geographical location of the non-current assets is based on the physical location of the assets under consideration. In the case of intangible assets, it is based on the location of the operation to which these intangible assets are allocated.

	Revenue from external customers		**Non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Taiwan	**12,530**	13,580	**30,145**	27,209
The PRC	**55,070**	33,964	**15,256**	11,497
Others	**–**	–	**1,094**	41
	67,600	47,544	**46,495**	38,747

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

Revenue from major services

	2010	2009
	RMB'000	RMB'000
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**40,415**	22,686
Cremation services	**11,486**	11,278
Funeral arrangement services	**12,530**	13,580
Cemetery services	**3,169**	–
	67,600	47,544

Information about major customers

For the years ended 31 December 2010 and 2009, revenue from any single customer does not amount to 10% or more of the Group's revenue.

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

	2010 **RMB'000**	2009 RMB'000
Other revenue		
Interest income on bank deposits	**1,006**	35
Interest income on coupon bonds	**800**	–
Interest income on financial assets not at fair value through profit or loss	**1,806**	35
Commission income	**4,335**	6,409
Rental income from sub-leasing assets under operating leases, net	**–**	230
Sundry income	**178**	621
	6,319	7,295
Other net gain/(loss)		
Changes in fair value of freehold land and buildings	**517**	56
Net exchange loss	**(535)**	(378)
Net gain on terminated and lapsed funeral services deeds	**132**	495
Net realised gain on trading securities	**1,221**	–
Net realised and unrealised gain on financial assets designated as at FVTPL	**1,356**	4,098
	2,691	4,271
	9,010	11,566

7. Profit Before Taxation

	2010 RMB'000	2009 RMB'000
Profit before taxation is arrived at after charging the followings:		
(a) Finance costs		
Interests on bank borrowings and other loans		
– wholly repayable within 5 years	**76**	120
– not wholly repayable within 5 years	**219**	254
Finance charges on obligation under finance lease	**1**	–
Effective interest expenses on convertible bonds wholly repayable within 5 years (note 28)	**–**	350
Total interest expenses on financial liabilities not at fair value through profit or loss	**296**	724
(b) Staff costs (including directors' remunerations)		
– Salaries, wages and allowances	**13,758**	5,794
– Equity-settled share-based payment expenses	**982**	–
– Contributions to defined contribution retirement plans	**1,267**	622
	16,007	6,416
(c) Other items		
Amortisation of intangible assets	**2**	2
Auditors' remuneration		
– audit services	**1,285**	1,217
– tax services	**–**	5
Cost of inventories (note 19)	**8,632**	3,217
Depreciation		
– assets held for own use under finance leases	**1**	–
– other assets	**2,084**	1,325
Operating lease rental in respect of		
– rented premises	**464**	333
Less: sub-leasing rental income	**(30)**	(274)
– hire of plant and equipment	**333**	396
Less: sub-leasing rental income	**(35)**	(396)
– hire of funeral parlours and funeral service centres	**14,096**	8,995
Loss on derecognition of assets (note (i))	**1,233**	–
Equity-settled share-based payment expenses	**3,222**	–

Note:

(i) This arises from the derecognition of property, plant and equipment and inventories of RMB1,126,000 (note 16(a)) and RMB107,000 respectively located in Chongqing Tian Fu Funeral Service Centre ("Tian Fu").

On 30 April 2006, a management agreement was entered into between Mr. Liu and Chongqing Jiulongpo District Tranquil Funeral Parlour ("Tian Fu Owner") and supplemental management agreement entered into between Mr. Liu, Tian Fu Owner and the Group on 12 July 2007 concerning the management of Tian Fu (collectively "Tian Fu Management Agreements"). Pursuant to the Tian Fu Management Agreements, the duration for the management of Tian Fu is ten years from 15 May 2006 to 14 May 2016. During the tenure of the Tian Fu Management Agreements, the Group is entitled to all profits generated from the provision of funeral services and is responsible for all the losses and expenses incurred for the provision of such services by paying a deposit and annual management fee to the Tian Fu Owner.

On 5 December 2010, the Tian Fu Owner took over the control of Tian Fu and the management of Tian Fu by the Group has been suspended from then on. The Group conducted discussions and negotiations with the Tian Fu Owner regarding the contents and actual operation of the Tian Fu Management Agreements and such discussions and negotiations are still proceeding up to the date of this report.

8. Income Tax in the Consolidated Statement of Comprehensive Income

	2010 RMB'000	2009 RMB'000
Provision of current tax for the year		
– PRC Enterprise Income Tax (note (c))	**2,932**	1,638
– Taiwan Enterprise Income Tax (note (d))	**910**	2,654
	3,842	4,292
Under-provision of current tax in prior years		
– PRC Enterprise Income Tax	**593**	16
– Taiwan Enterprise Income Tax	**–**	9
	593	25
	4,435	4,317

Notes:

(a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2010 (2009: RMBNil).

(b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands for the years ended 31 December 2010 and 2009.

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

(d) Bau Shan, a direct subsidiary of the Company, is subject to enterprise income tax rate at 17% (2009: 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.

(e) 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.

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

	2010 RMB'000	2009 RMB'000
Profit before taxation	**5,355**	16,780
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**1,737**	4,634
Tax effect of non-deductible expenses	**308**	137
Tax effect of non-taxable income	**(491)**	(1,645)
Tax effect of unused tax losses not recognised	**2,078**	1,166
Under-provision in prior years	**593**	25
Others	**210**	–
Actual tax expense	**4,435**	4,317

9. Directors' Remuneration

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

2010

Name of directors	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Sub-total RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors							
Mr. Liu	1,042	138	53	–	1,233	–	1,233
Mr. Kim Eun Back	208	154	13	–	375	–	375
Non-executive directors							
Mr. Niu Tse-Cheng	87	–	–	–	87	–	87
Mr. Zheng Yimin	87	–	–	–	87	–	87
Independent non-executive directors							
Mr. Chai Chung Wai	61	–	–	–	61	–	61
Mr. Ching Clement Yat-biu	61	–	–	–	61	–	61
Mr. Lam Ying Hung Andy	105	–	–	–	105	–	105
Mr. Luo Xuegang	61	–	–	–	61	–	61
	1,712	292	66	–	2,070	–	2,070

2009

Name of directors	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Sub-total RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors							
Mr. Liu	141	220	–	–	361	–	361
Mr. Kim Eun Back	33	154	–	–	187	–	187
Non-executive directors							
Mr. Niu Tse-Cheng	29	–	–	–	29	–	29
Mr. Zheng Yimin	29	–	–	–	29	–	29
Independent non-executive directors							
Mr. Chai Chung Wai	21	–	–	–	21	–	21
Mr. Ching Clement Yat-biu	21	–	–	–	21	–	21
Mr. Lam Ying Hung Andy	35	–	–	–	35	–	35
Mr. Luo Xuegang	21	–	–	–	21	–	21
	330	374	–	–	704	–	704

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 2010 and 2009.

10. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, two (2009: two) were directors of the Company whose emoluments are disclosed in note 9 above. The emoluments of the remaining three (2009: three) were as follows:

	2010 RMB'000	2009 RMB'000
Salaries and allowances	876	608
Discretionary bonuses	259	13
Equity settled share-based payment	663	–
Contributions to retirement benefit scheme	14	11
	1,812	632

The emoluments of the remaining three (2009: three) highest paid individuals fell within the following band:

	2010 RMB'000	2009 RMB'000
Nil to HK$1,000,000 (equivalent to RMB868,000)	3	3

No emoluments were paid by the Group to any of the three (2009: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2010 and 2009.

11. Other Comprehensive Loss

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

	2010			2009		
	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Surplus on revaluation of land and buildings held for own use	905	–	905	526	–	526
Exchange differences on translation of financial statements of foreign operations	(3,225)	–	(3,225)	(965)	–	(965)
Other comprehensive loss	(2,320)	–	(2,320)	(439)	–	(439)

12. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company includes a loss of approximately RMB7,193,000 (2009: loss of RMB5,155,000) which has been dealt with in the financial statements of the Company.

13. 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 RMB1,105,000 (2009: approximately RMB12,463,000) and the weighted average of 704,034,000 ordinary shares (2009: 502,952,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2010	2009
	'000	'000
Issued ordinary shares at 1 January	**622,500**	450,000
Effect of shares issued under placing	**81,534**	–
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	**704,034**	502,952
Earnings per share (RMB cent per share)	**0.16**	2.48

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 2009.

(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 2010 and 2009.

14. Dividends

The Directors do not recommend payment of any dividend for the year ended 31 December 2010 (2009: RMBNil).

15. 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.

15. Retirement benefits schemes (Continued)

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.

16. 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 2009	18,933	7,324	2,327	1,054	1,333	3,146	34,117
Exchange adjustments	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
At 1 January 2010	19,527	7,531	5,364	1,352	1,497	5,738	41,009
Exchange adjustments	1,317	543	(28)	32	8	–	1,872
Additions	–	–	960	639	803	5,641	8,043
Transfers	–	–	17	–	–	(17)	–
Disposals	–	–	–	–	(40)	–	(40)
Derecognition (note 7(c)(i))	–	–	(1,106)	(94)	(240)	(630)	(2,070)
Surplus on revaluation	656	490	–	–	–	–	1,146
Less: Elimination of accumulated depreciation	–	(229)	–	–	–	–	(229)
At 31 December 2010	21,500	8,335	5,207	1,929	2,028	10,732	49,731
Representing:							
Cost	–	–	5,207	1,929	2,028	10,732	19,896
Valuation – 2010	21,500	8,335	–	–	–	–	29,835
	21,500	8,335	5,207	1,929	2,028	10,732	49,731
Accumulated depreciation and impairment loss							
At 1 January 2009	–	–	259	518	151	166	1,094
Exchange adjustments	–	14	(1)	8	–	–	21
Charge for the year	–	158	721	179	267	–	1,325
Elimination on revaluation	–	(172)	–	–	–	–	(172)
At 31 December 2009 and 1 January 2010	–	–	979	705	418	166	2,268
Exchange adjustments	–	60	(4)	28	1	–	85
Charge for the year	–	169	1,305	253	358	–	2,085
Written back on disposals	–	–	–	–	(25)	–	(25)
Derecognition (note 7(c)(i))	–	–	(748)	(67)	(129)	–	(944)
Elimination on revaluation	–	(229)	–	–	–	–	(229)
At 31 December 2010	–	–	1,532	919	623	166	3,240
Carrying amount							
At 31 December 2010	21,500	8,335	3,675	1,010	1,405	10,566	46,491
At 31 December 2009	19,527	7,531	4,385	647	1,079	5,572	38,741

16. Property, Plant and Equipment (Continued)

(b) The freehold land and buildings held by the Group for own use were revalued as at 31 December 2010 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.

The revaluation surplus of RMB905,000 (2009: RMB526,000) and surplus of RMB517,000 (2009: RMB56,000) 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 cost less accumulated depreciation, the carrying amounts would have been:

	The Group	
	2010	2009
	RMB'000	RMB'000
Freehold land	**21,216**	19,902
Buildings	**6,135**	5,928
	27,351	25,830

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

	The Group	
	2010	2009
	RMB'000	RMB'000
In Taiwan		
Freehold land	**21,500**	19,527
Buildings	**8,335**	7,531
	29,835	27,058

(d) During the year, additions to furniture, fixtures and office equipment of the Group financed by new finance lease were RMB19,000 (2009: RMBNil). As at 31 December 2010, the carrying amount of the furniture, fixtures and office equipment held under a finance lease is approximately RMB18,000 (2009: RMBNil).

(e) The carrying amount of freehold land and buildings pledged as security for the Group's bank borrowings and other loans were approximately RMB27,983,000 as at 31 December 2010 (2009: RMB25,379,000) (notes 24 and 25).

(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 2010, the carrying amount of the freehold land and buildings held under the trust arrangements were approximately RMB3,646,000 (2009: RMB4,255,000) and RMBNil (2009: RMB1,307,000) respectively.

17. Intangible Assets

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trademark licence				
Cost:				
At 1 January	**19**	19	**5**	5
Additions	**–**	–	**–**	–
At 31 December	**19**	19	**5**	5
Accumulated amortisation:				
At 1 January	**13**	11	**1**	–
Charge for the year	**2**	2	**1**	1
At 31 December	**15**	13	**2**	1
Carrying amount:				
At 31 December	**4**	6	**3**	4

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

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Mutual funds/unit trusts at fair value		
Established outside Hong Kong	**44,573**	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 in financial institutions in Taiwan as trust monies. As at 31 December 2010, the Group has deposited approximately RMB42,159,000 (2009: RMB40,165,000) 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 RMB1,356,000 for the year ended 31 December 2010 (2009: RMB4,098,000). Changes in fair values of the above financial assets are recorded in "other net gain/(loss)" in the consolidated statement of comprehensive income.

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

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

19. Inventories

	The Group	
	2010	2009
	RMB'000	RMB'000
Merchandises for resale	**683**	242

The carrying amount of inventories sold recognised as expense and included in "cost of sales" amounted to RMB8,632,000 in 2010 (2009: RMB3,217,000).

20. Trade and Other Receivables

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note (c))	**–**	–	**–**	–
Other receivables (note (d))	**14,741**	7,635	**–**	–
Amounts due from subsidiaries (note 37)	**–**	–	**83,931**	32,000
Loans and receivables	**14,741**	7,635	**83,931**	32,000
Deposits and prepayments (note (e))	**71,296**	59,629	**4,372**	798
	86,037	67,264	**88,303**	32,798

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.

(c) No receivables from customers remained outstanding and unsettled as at 31 December 2010 (2009: Nil).

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

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 the balance are amounts receivable from a funeral service sub-contractor and the owner of a funeral service centre of approximately RMB1,473,000 (2009: RMB358,000) and RMB6,607,000 (2009: RMBNil) respectively. These amounts represent the receipts from the customers for the funeral services by the sub-contractor and the owner of a funeral service centre on behalf of the subsidiaries of the Group. The amounts due are 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 RMB4,500,000 (2009: RMB8,000,000) and RMB40,656,000 (2009: RMB39,398,000) respectively.

21. Cash and Cash Equivalents

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**242,713**	44,428	**150,430**	36
Deposits with bank with more than three months to maturity when placed	**–**	68,301	**–**	68,301
Cash and cash equivalents in the statement of financial position	**242,713**	112,729	**150,430**	68,337

The interest rates on the cash at bank ranged from 0.01% to 0.36% (2009: 0.01% to 0.36%) per annum.

The Group's fixed deposits in 2009 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. The fixed deposits have been withdrawn in January 2010. No further deposits were placed with the banks.

At 31 December 2010, cash at bank and in hand of the Group of approximately RMB9,511,000 (2009: RMB3,726,000) were denominated in RMB and placed with banks in the PRC. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**155,645**	–	**150,276**	–
HK$	**646**	45	**154**	36
RMB	**5,462**	3,726	**–**	–
NTD	**80,960**	40,657	**–**	–
	242,713	44,428	**150,430**	36

22. Trade and Other Payables

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note (c))	**1,173**	684	**–**	–
Accruals and other payables	**4,740**	2,975	**1,400**	1,349
Amounts due to subsidiaries (note 37)	**–**	–	**4,565**	4,603
Financial liabilities measured at amortised cost	**5,913**	3,659	**5,965**	5,952

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

	The Group	
	2010	2009
	RMB'000	RMB'000
0 to 30 days	**834**	539
31 days to 90 days	**259**	92
Over 90 days	**80**	53
	1,173	684

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.

23. Receipt in Advance

During the current and prior years, 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 a maximum of 48 monthly instalments. The Group determines the pricing of the funeral services deeds by adding a margin to the estimated cost of delivering funerals, after having taken into account of major factors including instruction of the Deed Holders. Amounts received from funeral services deeds sold are recorded as 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-days' demand notice, the funeral services deeds would be regarded as lapsed and a minimum of 20% of the total sum of the funeral services deeds or the instalments paid, whichever is lower, will be forfeited as income. The Deed Holders can request for funeral services or terminate the funeral services deeds at any time after the funeral services deeds are sold. Accordingly, 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 in financial institutions in Taiwan as trust monies. As at 31 December 2010, the Group has deposited approximately RMB42,159,000 (2009: RMB40,165,000) in those three financial institutions in Taiwan (see note 18).

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 RMB132,000 (2009: RMB495,000) in "other net gain/(loss)" in the consolidated statement of comprehensive income for the year.

24. Bank Borrowings

	The Group 2010 RMB'000	2009 RMB'000
Bank borrowings		
– secured	**11,895**	12,338
– unsecured	**–**	177
	11,895	12,515

At 31 December 2010, the Group's bank borrowings were repayable as follows:

	The Group 2010 RMB'000	2009 RMB'000
With 1 year or on demand	**731**	1,484
After 1 year but within 2 years	**731**	686
After 2 years but within 5 years	**2,194**	2,058
After 5 years	**8,239**	8,287
	11,895	12,515
Less: Amounts due within one year shown under current liabilities	**(731)**	(1,484)
	11,164	11,031

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

All bank loans are denominated in NTD. As at 31 December 2010 and 2009, all bank loans 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:

	The Group 2010 RMB'000	2009 RMB'000
Bank borrowings	**1.55%**	1.89%

Bank borrowings of RMB11,895,000 (2009: RMB12,338,000) were secured by freehold land and buildings of the Group amounting to RMB21,465,000 (2009: RMB19,817,000) (note 16(e)).

25. Other Loans

	The Group	
	2010	2009
	RMB'000	RMB'000
Other loans		
– secured	**2,479**	2,590

At 31 December 2010, the Group's other loans were repayable as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Within 1 year or on demand	**303**	267
After 1 year but within 2 years	**318**	280
After 2 years but within 5 years	**673**	817
After 5 years	**1,185**	1,226
	2,479	2,590
Less: Amounts due within one year shown under current liabilities	**(303)**	(267)
	2,176	2,323

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

Notes:

(a) 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 an independent third party. The other loans are repayable by monthly instalments.

(b) As at 31 December 2010, other loan of approximately RMB1,730,000 (2009: RMB1,716,000) was due to Mr. Chen. The loan was secured by the freehold land and buildings of the Group of approximately RMB2,872,000 (2009: RMB2,614,000) (note 16(e)), with interest charged at bank saving rate plus a rate within a range from 0.301% to 1.164% (2009: 0.301% to 1.164%) per annum and with maturity date of 22 August 2025.

(c) As at 31 December 2010, other loan of approximately RMB749,000 (2009: RMB874,000) was due to an independent third party. The loan was secured by the freehold land of the Group of approximately RMB3,646,000 (2009: RMB2,948,000) (note 16(e)), with interest charged at a rate within a range from 6.49% to 6.73% (2009: 8.26%) and with maturity date of 21 June 2014.

26. Obligation under Finance Lease

At 31 December 2010, the Group had obligation under finance lease repayable as follows:

The Group

	2010		2009	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**9**	**11**	–	–
After 1 year but within 5 years	**9**	**10**	–	–
After 5 years	**–**	**–**	–	–
	18	**21**	–	–
Less: total future interest expenses		**(3)**		–
Present value of lease obligation		**18**		–

It is the Group's policy to lease certain of its office equipment under finance lease. The above lease term is 2 years. The finance lease is arranged at floating rates and expose the Group to cash flow interest rate risk. The average borrowing rate is 8.51% per annum as at 31 December 2010. 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.

27. Income Tax in the Consolidated Statement of Financial Position

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

	The Group	
	2010 RMB'000	2009 RMB'000
At 1 January	**2,716**	3,142
Provision for the year		
– PRC Enterprise Income Tax	**3,819**	1,654
– Taiwan Enterprise Income Tax	**616**	2,663
	4,435	4,317
Income tax paid during the year	**(4,635)**	(4,773)
Exchange adjustments	**(746)**	30
At 31 December	**1,770**	2,716

(b) Deferred tax

From 1 January 2008 onwards, 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.

27. Income Tax in the Consolidated Statement of Financial Position (Continued)

(b) Deferred tax (Continued)

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 RMB307,000 (2009: RMB498,000) 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.

28. 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 converted 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.

28. Convertible Bonds (Continued)

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

	The Group and the Company RMB'000
Liability component at 1 January 2009	16,103
Interest charge (note 7(a))	350
Exchange differences	2
Interest paid	(222)
Conversion into shares	(16,229)
Liability component at 31 December 2009, 1 January 2010 and 31 December 2010	–

All convertible bonds issued were fully converted into shares of the Company during the year ended 31 December 2009.

29. Share Capital

	Note	**No. of shares**	**Amount** RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2009		3,900,000	366
Increase in authorised share capital	(a)	9,996,100,000	881,175
At 31 December 2009 and 31 December 2010		10,000,000,000	881,541
Ordinary shares, issued and fully paid:			
At 1 January 2009		3,900,000	366
Issue of shares on full conversion of convertible bonds	(b)	699,057	62
Capitalisation issue	(c)	445,400,943	43,049
Issue of shares under public placing	(d)	150,000,000	13,246
Issue of shares on exercise of over-allotment option	(e)	22,500,000	1,983
At 31 December 2009 and 1 January 2010		622,500,000	58,706
Issue of shares under placing	(f)	120,000,000	10,512
At 31 December 2010		742,500,000	69,218

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

29. Share Capital (Continued)

Notes:

(a) 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.

(b) During the year 2009, convertible bonds with principal amount of HK$19 million were converted into 699,057 shares of the Company of HK$0.1 each which represents 15.2% in aggregate of the enlarged issued capital of the Company before completion of the placing on 9 September 2009 and the capitalisation issue on 2 September 2009..

(c) 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.

(d) 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.

(e) 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.

(f) Pursuant to a placing agreement, a top-up subscription agreement and a supplementary agreement entered on 14 April 2010, 14 April 2010 and 17 April 2010 respectively, the Company alloted and issued 120,000,000 shares of HK$0.1 each at the subscription price of HK$1.50 per share.

30. Reserves

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

	Share premium RMB'000	Foreign currency translation reserve RMB'000	Convertible bonds equity reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2009	**39,624**	**3,228**	**496**	**–**	**(868)**	**42,480**
Comprehensive loss						
For the year	–	–	–	–	(5,155)	(5,155)
Other comprehensive loss						
Exchange differences on translation of financial statements from functional currency into presentation currency	–	(98)	–	–	–	(98)
Total other comprehensive loss	**–**	**(98)**	**–**	**–**	**(5,155)**	**(5,253)**
Transactions with owners						
Issue of shares on full conversion of convertible bonds (note 29(b))	16,663	–	(496)	–	–	16,167
Capitalisation issue (note 29(c))	(43,049)	–	–	–	–	(43,049)
Issue of shares under public placing (note 29(d))	81,973	–	–	–	–	81,973
Issue of shares on exercise of over-allotment options (note 29(e))	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**
At 1 January 2010	**82,204**	**3,130**	**–**	**–**	**(6,023)**	**79,311**
Comprehensive loss						
For the year	–	–	–	–	(7,193)	(7,193)
Other comprehensive loss						
Exchange differences on translation of financial statements from functional currency into presentation currency	–	(8,368)	–	–	–	(8,368)
Total other comprehensive loss	**–**	**(8,368)**	**–**	**–**	**(7,193)**	**(15,561)**
Transactions with owners						
Shares issued upon placing of new shares (note 29(f))	147,241	–	–	–	–	147,241
Transaction costs attributable to share issued upon placing of new shares	(8,812)	–	–	–	–	(8,812)
Equity-settled share-based payments	–	–	–	4,204	–	4,204
Total transactions with owners	**138,429**	**–**	**–**	**4,204**	**–**	**142,633**
At 31 December 2010	**220,633**	**(5,238)**	**–**	**4,204**	**(13,216)**	**206,383**

30. Reserves (Continued)

(b) Nature and purpose of reserves

(i) *Share premium*

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

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

(ii) *Merger reserve*

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

(iii) *Statutory reserve*

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

(iv) *Statutory surplus reserve*

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

(v) *Properties revaluation reserve*

The properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for freehold land and buildings in note 3(e).

(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 policy set out in note 3(s).

(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 3(g).

(viii) *Share-based compensation reserve*

The share-based compensation reserve comprises the fair value of the actual or estimated number of unexercised share options granted to eligible participants of the Group recognised in accordance with accounting policy adopted for share-based payments in note 3(o)(ii).

30. Reserves (Continued)

(c) Distributable reserves

As at 31 December 2010, the aggregate amount of reserves available for distribution to owners of the Company was approximately RMB207,417,000 (2009: RMB76,181,000).

(d) Capital Management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at 31 December 2010 and 2009 were as follows:

	2010 **RMB'000**	2009 RMB'000
Total liabilities	**147,127**	139,698
Total assets	**420,501**	261,308
Gearing ratio	**34.99%**	53.46%

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.

31. Financial Risk Management and Fair Values

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

(a) Credit risk

(i) As at 31 December 2010, 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 require collateral in respect of its financial assets.

(iii) In respect of trade and other 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 and other 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 and other receivables are set out in note 20.

31. Financial Risk Management and Fair Values (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 the reporting period of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company required to pay:

The Group

	2010					
	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	1,173	–	–	–	1,173	1,173
Accruals and other payables	4,740	–	–	–	4,740	4,740
Receipt in advance	125,052	–	–	–	125,052	125,052
Bank borrowings	920	908	2,653	9,004	13,485	11,895
Other loans	379	379	773	1,300	2,831	2,479
Obligation under finance lease	11	10	–	–	21	18
	132,275	1,297	3,426	10,304	147,302	145,357

	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

31. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

The Company

	2010					
	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	**1,400**	**–**	**–**	**–**	**1,400**	**1,400**
Amounts due to subsidiaries	**4,565**	**–**	**–**	**–**	**4,565**	**4,565**
	5,965	**–**	**–**	**–**	**5,965**	**5,965**

	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

(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 borrowings at the end of the reporting period.

		The Group			
		2010		2009	
	Note	**RMB'000**	**Effective interest rate (%)**	RMB'000	Effective interest rate (%)
Variable rate borrowings					
Bank borrowings	24	**11,895**	**1.55%**	12,515	1.89%
Other loans	25	**2,479**	**3.61%**	2,590	3.52%
Obligation under finance lease	26	**18**	**8.51%**	–	–
Total borrowings		**14,392**		15,105	
Fixed rate borrowings as a percentage of total borrowings		**–**		–	

31. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax and increase/decrease the accumulated losses by approximately RMB144,000 (2009: RMB151,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2009.

(d) Currency risk

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

(i) Exposure to currency risk

The 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)							
	2010				2009			
	US$ '000	NTD '000	EUR '000	RMB '000	US$ '000	NTD '000	EUR '000	RMB '000
Financial assets designated as at FVTPL	–	–	–	–	2	–	1	–
Cash and cash equivalents	155,645	–	–	2	68,305	–	–	–
Overall net exposure	155,645	–	–	2	68,307	–	1	–

The Company

	Exposure to foreign currencies (expressed in RMB)							
	2010				2009			
	US$ '000	NTD '000	EUR '000	RMB '000	US$ '000	NTD '000	EUR '000	RMB '000
Amounts due from subsidiaries	–	37,776	–	–	–	11,018	–	–
Cash and cash equivalents	150,276	–	–	–	68,301	–	–	–
Amounts due to subsidiaries	–	(2,729)	–	(1,835)	–	(2,833)	–	–
Overall net exposure	150,276	35,047	–	(1,835)	68,301	8,185	–	–

31. Financial Risk Management and Fair Values (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) 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					
	2010			2009		
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation RMB'000**	**Effect on accumulated loss RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation RMB'000	Effect on accumulated loss RMB'000
US$	**3.7%**	**37,587**	**(37,587)**	0.1%	430	(430)
	(3.7%)	**(37,587)**	**37,587**	(0.1%)	(430)	430

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 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 next 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 2009.

(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.

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 9.32% (2009: 74.28%) higher/lower, profit for the year would increase/decrease by RMB4,092,000 (2009: RMB31,258,000) for the Group as a result of the changes in fair value of financial assets designated as at FVTPL.

31. Financial Risk Management and Fair Values (Continued)

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 31 December 2010 and 2009, the financial instruments measured in fair value of the Group are financial assets being invested in Taiwan which is classified as financial assets designated as at FVTPL and measured by the quoted price, and included in level 1.

	2010				2009			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Asset								
Financial assets designated as at FVTPL	**44,573**	**–**	**–**	**44,573**	42,326	–	–	42,326

(g) Estimation of fair values

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

(i) Securities

Fair value for quoted equity investments are based on listed market price at the end of the reporting period.

Fair values for the unquoted equity investments (where applicable) are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

(ii) Interest-bearing borrowings and loans

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

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

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

32. Material Related Party Transactions

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

(a)

Name	Relationship	Transaction	Amount paid/(received) 2010 RMB'000	2009 RMB'000
Mr. Chen	A director of Bau Shan, a subsidiary of the Company (note (b))	Payment of other loan interest	–	38
China Day Limited	A director of Sino-Life Eternities Services Limited, a subsidiary of the Company (note (d))	Consultancy fee	**764**	–
APAC Strategic Planning Company Limited	A director of Sino-Life Eternities Services Limited, a subsidiary of the Company (note (d))	Consultancy fee	**217**	–

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

(b) As at 31 December 2010, other loan of approximately RMB1,730,000 (2009: RMB1,716,000) 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, bearing interest at the bank saving rate plus 0.301% to 1.164% and with maturity date of 22 August 2025.

(c) As at 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.

(d) Mr. Mak King Sau is one of the directors of China Day Limited and APAC Strategic Planning Company Limited, who was appointed as director of Sino-Life Eternities Limited and Sino-Life Eternities Services Limited on 10 August 2010, the subsidiaries of the Company.

(e) Key management personnel remuneration

Remunerations for key management personnel of the Group are paid to the Company's directors as disclosed in note 9.

33. Operating Lease Commitments

(a) The Group as lessee

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

	2010 RMB'000	2009 RMB'000
Within one year	**14,248**	10,513
In the second to fifth year, inclusive	**63,604**	35,047
After five years	**138,183**	120,054
	216,035	165,614

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.

33. Operating Lease Commitments (Continued)

(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:

	2010 **RMB'000**	2009 RMB'000
Within one year	**4**	83

(c) The Company had no significant operating lease commitments as at 31 December 2010 and 2009.

34. Capital Commitments

Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The Group		**The Company**	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Capital expenditure contracted but not provided for:				
– Acquisition of property, plant and equipment	**2,589**	5,072	**684**	3,232
– Investment in a joint venture	**6,500**	–	**–**	–
	9,089	5,072	**684**	3,232

35. Pledge of Assets

As at 31 December 2010, bank borrowings and other loans of the Group were secured by freehold land and buildings with an aggregate carrying amount of RMB19,648,000 (2009: RMB17,847,000) and RMB8,335,000 (2009: RMB7,532,000) respectively.

36. Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities at 31 December 2010 and 2009.

37. Investments in Subsidiaries

	The Company	
	2010 **RMB'000**	2009 RMB'000
Unlisted shares, at cost	**42,830**	42,830
Amounts due from subsidiaries (note 20)	**83,931**	32,000
Amounts due to subsidiaries (note 22)	**(4,565)**	(4,603)

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

37. Investments in Subsidiaries (Continued)

Details of the Company's subsidiaries as at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up/share or registered capital	Attributable equity interest		Principal activities/ place of operation
			2010	2009	
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/ Taiwan
Full Spread	Hong Kong 5 October 2007	Ordinary HK$1/ HK$1	**100%**	100%	Investment holding/ Hong Kong
Allied Smart Development Limited	Hong Kong 1 April 2010	Ordinary HK$1/ HK$1	**100%**	–	Investment holding/ Hong Kong
Sino-Life (Hong Kong) Limited	Hong Kong 9 August 2010	Ordinary HK$1/ HK$1	**100%**	–	Provision of funeral services/Hong Kong
Dayrise Enterprises Limited	BVI 13 September 2010	Ordinary US$1/ US$1	**100%**	–	Investment holding/ BVI
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$6,000,000/ US$6,000,000	**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
Sino-Life Eternities Limited (Formerly known as "China New Eternities Limited")	BVI 15 April 2010	Ordinary US$1/ US$1	**70%**	–	Investment holding/ BVI
Sino-Life Eternities Services Limited	Hong Kong 20 April 2010	Ordinary HK$1/ HK$1	**70%**	–	Not yet commenced business/Hong Kong
Jinhao Enterprises Limited	BVI 13 September 2010	Ordinary US$1/ US$1	**100%**	–	Not yet commenced business/BVI

Notes:

1. A foreign wholly-owned enterprise
2. A limited liability company

38. Equity-Settled Share-Based Transactions

Pursuant to the written resolutions of the shareholders of the Company dated 24 August 2009, a share option scheme ("Share Option Scheme") was approved and adopted.

The major terms of the Share Option Scheme are summarised as follows:

(a) The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants who have contributed or may contribute to the Group as incentive or rewards for their contributions to the Group.

(b) The participants include:

(i) 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;

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

(iii) 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:

(i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day;

(ii) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and

(iii) the nominal value of a share on the offer date of the particular option.

(d) The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate, exceed 10% of the shares in issue on the day on which trading of the Company's shares commenced on the GEM Board ("General Scheme Limit").

The total number of shares available for issue under the Share Option Scheme is 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.

38. Equity-Settled Share-Based Transactions (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.

(i) The terms and conditions of the grants that existed during the year are as follows:

	Number of instruments	Exercisable period	Contractual life of options
Options granted to directors:			
– on 11 February 2010	6,420,000	11 August 2010 to 11 February 2020	10 years
Options granted to employees:			
– on 11 February 2010	11,680,000	11 August 2010 to 11 February 2020	10 years
Options granted to consultants:			
– on 11 February 2010	41,900,000	11 August 2010 to 11 February 2020	10 years
Total share options	60,000,000		

(j) The number and weighted average exercise price of share options are as follows:

	2010		2009	
	Weighted average exercise price	**Number of shares issuable under options granted**	Weighted average exercise price	Number of shares issuable under options granted
Outstanding at the beginning of the period	**–**	**–**	–	–
Exercised during the period	**–**	**–**	–	–
Forfeited during the period	**–**	**–**	–	–
Granted during the period	**HK$1.18**	**60,000,000**	–	–
Cancelled during the period	**HK$1.18**	**(6,420,000)**	–	–
Lapsed during the Period	**HK$1.18**	**(744,000)**	–	–
Outstanding at the end of the period	**HK$1.18**	**52,836,000**	–	–
Exercisable at the end of the period	**HK$1.18**	**13,032,000**	–	–

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.11 (2009: HK$Nil).

The share options outstanding at 31 December 2010 had an exercise price of HK$1.18 (2009: HK$Nil) and a weighted average remaining contractual life of 10 years (2009:Nil).

These options expire ten years from the date of grant. As at 31 December 2010, 3,084,000 of 52,836,000 options were exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,752,000 of 52,836,000 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.

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

(k) Fair value of share options and assumptions

(i) Granted to employees

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

	2010
Fair value of share options and assumptions	**HK$0.21**
Share price	**HK$1.16**
Exercise price	**HK$1.18**
Expected volatility (expressed as weighted average volatility used in the modeling under Binomial Option Pricing Model)	**29.10%**
Option life (expressed as weighted average life used in the modelling under the Binomial Option Pricing Model)	**10 years**
Expected dividends	**–**
Risk-free interest rate (based on Exchange Fund Notes)	**1.47%**

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

(ii) Granted to consultants

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

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

39. Accounting Estimates and Judgements

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies as described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

(i) Impairment of receivables

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

39. Accounting Estimates and Judgements (Continued)

(a) Key sources of estimation uncertainty (Continued)

(ii) *Impairment of property, plant and equipment*

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

(iii) *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.

(iv) *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.

(v) *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.

(vi) *Price of funeral services deeds*

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

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

39. Accounting Estimates and Judgements (Continued)

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

40. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments Interpretations and new standard which are not yet effective for the year ended 31 December 2010.

The Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 [1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets [3]
HKFRS 9	Financial Instruments [4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [5]
HKAS 24 (as revised in 2009)	Related Party Disclosures [6]
HKAS 32 (Amendments)	Classification of Rights Issues [7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement [6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

40. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2010 (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.