



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**



First Quarterly Report 2011

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.

- Turnover increased by approximately 21.7% to approximately RMB15.7 million (2010: approximately RMB12.9 million)
- Gross profit rose by approximately 24.5% to approximately RMB11.7 million (2010: approximately RMB9.4 million)
- Loss attributable to shareholders was approximately RMB4.5 million (2010: approximately profit of RMB2.5 million)

Condensed Consolidated Quarterly Results for the three months ended 31 March 2011 (Unaudited)

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2011 together with the comparative unaudited figures for the corresponding period in 2010, as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 31 March	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Turnover	3	15,746	12,879
Cost of sales		(4,089)	(3,438)
Gross profit		11,657	9,441
Other revenue		112	2,856
Other net income/(loss)		206	(62)
Selling expenses		(5,664)	(3,787)
Administrative expenses		(10,392)	(5,052)
Other operating expenses		(160)	–
Finance costs		(50)	(134)
(Loss)/profit before taxation		(4,291)	3,262
Income tax expense	4	(317)	(759)
(Loss)/profit for the period		(4,608)	2,503
Other comprehensive loss for the period, net of tax		(2,126)	(120)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(6,734)	2,383
(Loss)/profit attributable to:			
Owners of the Company		(4,543)	2,503
Non-controlling interests		(65)	–
		(4,608)	2,503
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(6,683)	2,383
Non-controlling interests		(51)	–
		(6,734)	2,383
(Loss)/earnings per share	6		
Basic and diluted		RMB(0.61) cents	RMB0.40 cents

Combined Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Statutory surplus reserve RMB'000	Properties revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2010 (audited)	58,706	82,204	(16,261)	225	838	851	1,947	-	(6,900)	121,610	-	121,610
Comprehensive income												
Profit for the period	-	-	-	-	-	-	-	-	2,503	2,503	-	2,503
Other comprehensive income												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	52	-	-	-	52	-	52
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(172)	-	-	(172)	-	(172)
Total other comprehensive income	-	-	-	-	-	52	(172)	-	-	(120)	-	(120)
Total comprehensive income	-	-	-	-	-	52	(172)	-	2,503	2,383	-	2,383
Transactions with owners												
Profit appropriation to reserves	-	-	-	-	129	-	-	-	(129)	-	-	-
Total transactions with owners	-	-	-	-	129	-	-	-	(129)	-	-	-
At 31 March 2010 (unaudited)	58,706	82,204	(16,261)	225	967	903	1,775	-	(4,526)	123,993	-	123,993
At 1 January 2011 (audited)	69,218	220,633	(16,261)	225	1,550	1,756	(1,230)	4,204	(6,507)	273,588	(214)	273,374
Comprehensive loss												
Loss for the period	-	-	-	-	-	-	-	-	(4,543)	(4,543)	(65)	(4,608)
Other comprehensive income/(loss)												
Deficit on revaluation of land and buildings held for own use	-	-	-	-	-	(79)	-	-	-	(79)	-	(79)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(2,061)	-	-	(2,061)	14	(2,047)
Total other comprehensive income/(loss)	-	-	-	-	-	(79)	(2,061)	-	-	(2,140)	14	(2,126)
Total comprehensive loss	-	-	-	-	-	(79)	(2,061)	-	(4,543)	(6,683)	(51)	(6,734)
Transactions with owners												
Equity settled share-based payments	-	-	-	-	-	-	-	490	-	490	-	490
Total transactions with owners	-	-	-	-	-	-	-	490	-	490	-	490
At 31 March 2011 (unaudited)	69,218	220,633	(16,261)	225	1,550	1,677	(3,291)	4,694	(11,050)	267,395	(265)	267,130

Notes to the Condensed Consolidated Financial Statements

For the three months ended 31 March 2011

1. GENERAL

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

2. BASIS OF PREPARATION

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

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

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

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

The accounting policies adopted in preparing the unaudited condensed consolidated first quarterly financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2010.

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

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

3. TURNOVER AND SEGMENTAL INFORMATION

The amount of each significant category of revenue recognised in turnover for each of the three months ended 31 March 2010 and 2011 ("the Periods") is as follows:

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Funeral services provided in funeral parlours and funeral services centres under the Group's management	9,441	6,345
Cremation services	3,536	3,738
Funeral arrangement services	2,068	2,276
Cemetery services	701	520
	15,746	12,879

Business information

The Group's revenue and contribution to profit from operating activities for the three months ended 31 March 2011 were mainly derived from funeral operation. Accordingly, no business segmental analysis is required.

Geographical information

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

	Revenues from external customers Three months ended 31 March	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Taiwan	2,064	2,276
The PRC	13,678	10,603
Others	4	–
	15,746	12,879

4. INCOME TAX

- (i) The subsidiaries, Chongqing Xibao Funeral Technology Company Limited and Chongqing Xizhou Funeral Service Company Limited operating in the PRC, are subject to enterprise income tax at the rate of 25% (2010: 25%) in accordance with the Law of the People's Republic of China on Enterprises Income Tax (中華人民共和國企業所得稅法).
- (ii) Bau Shan Life Science Technology Co., Ltd., a direct subsidiary of the Company, is subject to enterprise income tax at the rate of 17% (2010: 17%) in accordance with the Income Tax Act and other relevant laws in Taiwan.
- (iii) No provision for Taiwan enterprise income tax has been made for Bau De Funeral Services Holdings Co., Ltd., an indirect subsidiary of the Company, as the subsidiary sustained losses during the Periods.
- (iv) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the Periods.
- (v) Provision for Hong Kong profits tax is not made as the Group does not derive any assessable profits in Hong Kong during the Periods.

5. DIVIDENDS

The Directors do not recommend payment of any dividend for the three months ended 31 March 2011 (2010: HK\$Nil).

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately RMB4,543,000 (2010: profit of RMB2,503,000) and the weighted average of 742,500,000 shares (2010: 622,500,000 shares) in issue during the Period.

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

Management Discussion and Analysis

Business Review

The PRC

The Group's turnover derived from the PRC market was RMB13.6 million for the three months ended 31 March 2011, representing an increase of 28.3% from the corresponding period last year, and accounted for 86.6% 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 78.4%.

The Group has entered into a management contract with Rongchang County Funeral Parlour (榮昌縣殯儀館) and 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) on 17 September 2010 and 30 December 2010 respectively. The management of the operation of funeral services for both of them by the Group has been commenced since January 2011.

Taiwan

Turnover derived from the Taiwan market was RMB2.1 million for the three months ended 31 March 2011, representing a decrease of 8.7% from the corresponding period last year, and accounted for 13.4% 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.

Hong Kong

In January 2011, the Group's office in Hung Hom, Hong Kong (the "Hunghom Office") was officially opened and went into operation in order to promote its new product, "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 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.

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

For the three months ended 31 March 2011, the Group's turnover was approximately RMB15.7 million, representing an increase of 21.7% from approximately RMB12.9 million for the corresponding period of last year. The rise was mainly due to the expansion of operation in the PRC which also increased by approximately 28.3% for the three months ended 31 March 2011.

Cost of sales for the three months ended 31 March 2011 was approximately RMB4.1 million, rising by approximately 20.6% compared with the corresponding period in 2010. The increase in cost of sales was mainly attributable to the increase in the cost of sales in the PRC subsidiaries as part of the expansion of operations in the PRC.

The other revenue and other net income/(loss) for the three months ended 31 March 2011 was approximately RMB0.3 million compared with RMB2.8 million for the corresponding period in 2010. The decrease was mainly due to a decrease in commission income received as a result of the introduction of less cemeteries/cemetery services to the customers as part of the funeral services provided by the Group in the PRC and in Taiwan.

Selling expenses for the three months ended 31 March 2011 rose by approximately 50.0% to approximately RMB5.7 million as compared with the corresponding period in 2010. The increase in the amount of selling expenses was mainly attributable to the Group's increased rental and management costs, resulting from its expansion in the funeral parlour and funeral service centres management business in the PRC.

Administrative expenses rose by approximately 103.9% to approximately RMB10.4 million for the three months ended 31 March 2011 as a result of the effect of (i) an increase in the Group's staff costs due to increase in number of staff as a result of the expansion of the Group's operation; (ii) an increase in depreciation and amortisation resulting from the increase in investment in the property, plant and equipment in the PRC; and (iii) an increase in promotion expenses incurred for the commencement of business operation in Hong Kong.

The loss attributable to the shareholders for the three months ended 31 March 2011 was approximately RMB4.5 million compared with profit of RMB2.5 million for the corresponding period of last year with the decline as a result of the cumulative effect from the above-mentioned factors.

The Group remained in a healthy and sound liquidity position as at 31 March 2011. As at 31 March 2011, the Group had no other material capital commitments, material contracts or significant investment plans, except those disclosed in the listing document and above. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity facilities to meet operation requirements and acquisition opportunities. The Group's debt to equity ratio, defined as the Group's net debt divided by shareholders' fund, was nil.

Contingent Liabilities

As at 31 March 2011, the Group did not have any significant contingent liabilities.

Corporate Governance and Other Information

Directors' interests and short positions in shares, underlying shares and debentures of the company or any associated corporation

As at 31 March 2011, the relevant interests and short positions of the Directors or chief executive in the shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Aggregate long positions in the Shares

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

Substantial shareholders' interests and short positions in the shares and underlying shares

The register of substantial shareholders required to be kept under section 336 of Part XV of SFO showed that as at 31 March 2011, 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.

Competing Business

As at 31 March 2011, none of the Directors, or any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and which was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective associates (as defined under the GEM Listing Rules) had any interest in a business, which competed or might compete with the business of the Group.

Share Option Scheme

Pursuant to the written resolutions of the shareholders of the Company dated 24 August 2009, a share option scheme ("Share Option Scheme") was approved and adopted. Details of the share options granted and remaining outstanding as at 31 March 2011 are as follows:

	Date of grant	Exercise price	Exercisable period	Option held at 1 January and 31 March 2011
Directors of the Company or its subsidiaries (Note)	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	1,600,000
Continuous contract employees	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	10,936,000
Consultants	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	40,300,000
				<hr/> 52,836,000

Note: Share options to subscribe for 1,600,000 shares was granted to Mr. Mak King Sau ("Mr. Mak") on 11 February 2010. On 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 March 2011, 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 March 2011, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates have been granted share options under the Share Option Scheme.

Interests of the Compliance Adviser

As notified by Sun Hung Kai International Limited (“SHKI”), the Company’s compliance adviser, neither SHKI nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2011.

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

Purchase, Sale Or Redemption Of Securities

During the three months ended 31 March 2011, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

Corporate Governance

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

Code provisions set out in the CCGP

A.2 The Chairman and Chief Executive Officer of the Company were performed by the same individual.

Reason for deviations

The Company’s size is still relatively small and thus separating the role of Chairman and Chief Executive Officer is not yet justified.

The Group has in place internal control system to perform the check and balance function.

The Company is also in the progress of assessing the effect of the implementation of CCGP on the Company’s operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the three months ended 31 March 2011.

Securities Transactions by Directors

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

Audit Committee

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

The audit committee had reviewed the financial statements of the Group for the three-month period ended 31 March 2011 pursuant to the relevant provisions contained in the CCGP and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure had been made in respect thereof.

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

Hong Kong, 9 May 2011

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