



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**



Half Yearly 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.

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

Highlights

- The Group recorded a turnover of approximately RMB36.2 million for the six months ended 30 June 2011 (2010: approximately RMB30.8 million).
- Loss attributable to shareholders for the six months ended 30 June 2011 amounted to approximately RMB6.4 million as compared to profit of approximately RMB1.6 million for the corresponding period in 2010.
- No interim dividend is recommended for the period (2010: RMB Nil).

Half Yearly Results (Unaudited)

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2011 together with the comparative unaudited consolidated figures for the corresponding period in 2010. The interim financial statements have not been audited, but have been reviewed and agreed by the audit committee of the Company.

Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Turnover	3(a)	20,485	17,951	36,231	30,830
Cost of sales		(8,376)	(4,666)	(12,465)	(8,104)
Gross profit		12,109	13,285	23,766	22,726
Other revenue	4	592	1,597	704	4,453
Other net gain/(loss)	4	1,064	(770)	1,270	(832)
Selling expenses		(5,065)	(5,445)	(10,729)	(9,232)
Administrative expenses		(9,298)	(7,242)	(19,690)	(12,294)
Other operating expenses		–	(77)	(160)	(77)
(Loss)/profit from operations		(598)	1,348	(4,839)	4,744
Finance costs	5(a)	(115)	(25)	(165)	(159)
(Loss)/profit before taxation	5	(713)	1,323	(5,004)	4,585
Income tax	6	(147)	(2,276)	(464)	(3,035)
(Loss)/profit for the period		(860)	(953)	(5,468)	1,550
Other comprehensive loss for the period (after tax and reclassification adjustments)					
Surplus on revaluation of land and buildings held for own use		296	809	217	861
Exchange differences on translation of financial statements of foreign operations		(2,685)	(1,666)	(4,732)	(1,838)
Other comprehensive loss for the period, net of tax		(2,389)	(857)	(4,515)	(977)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(3,249)	(1,810)	(9,983)	573
(Loss)/profit attributable to:					
Owners of the Company		(1,835)	(953)	(6,378)	1,550
Non-controlling interests		975	–	910	–
		(860)	(953)	(5,468)	1,550
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(4,173)	(1,810)	(10,856)	573
Non-controlling interests		924	–	873	–
		(3,249)	(1,810)	(9,983)	573
(Loss)/earnings per share					
Basic and diluted	7	RMB(0.25) cents	RMB(0.13) cents	RMB(0.86) cents	RMB0.23 cents

Consolidated Statement of Financial Position

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		46,914	46,491
Intangible assets		3	4
		46,917	46,495
CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss	9	43,239	44,573
Inventories		866	683
Trade and other receivables	10	95,718	86,037
Cash and cash equivalents		225,633	242,713
		365,456	374,006
CURRENT LIABILITIES			
Trade and other payables	11	9,557	5,913
Receipt in advance	12	123,000	125,052
Current portion of bank borrowings		723	731
Current portion of other loans		203	303
Current portion of obligation under finance lease		9	9
Current tax liabilities		153	1,770
		(133,645)	(133,778)
NET CURRENT ASSETS		231,811	240,228
TOTAL ASSETS LESS CURRENT LIABILITIES		278,728	286,723
NON-CURRENT LIABILITIES			
Bank borrowings		10,823	11,164
Other loans		442	2,176
Obligation under finance lease		5	9
		(11,270)	(13,349)
NET ASSETS		267,458	273,374
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	13	69,218	69,218
Reserves		194,631	204,370
		263,849	273,588
Non-controlling interests		3,609	(214)
TOTAL EQUITY		267,458	273,374

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	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 interests 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	-	-	-	-	-	-	-	-	1,550	1,550	-	1,550
Other comprehensive loss												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	861	-	-	-	861	-	861
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(1,838)	-	-	(1,838)	-	(1,838)
Total other comprehensive loss	-	-	-	-	-	861	(1,838)	-	-	(977)	-	(977)
Total comprehensive income	-	-	-	-	-	861	(1,838)	-	1,550	573	-	573
Transactions with owners												
Shares issued upon placing of new shares	10,512	147,241	-	-	-	-	-	-	-	157,753	-	157,753
Transaction costs attributable to share issued upon placing of new shares	-	(9,126)	-	-	-	-	-	-	-	(9,126)	-	(9,126)
Equity-settled share-based payments	-	-	-	-	-	-	-	2,354	-	2,354	-	2,354
Profit appropriation to reserve	-	-	-	-	180	-	-	-	(180)	-	-	-
Total transactions with owners	10,512	138,115	-	-	180	-	-	2,354	(180)	150,981	-	150,981
At 30 June 2010 (unaudited)	69,218	220,319	(16,261)	225	1,018	1,712	109	2,354	(5,530)	273,164	-	273,164
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	-	-	-	-	-	-	-	-	(6,378)	(6,378)	910	(5,468)
Other comprehensive loss												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	217	-	-	-	217	-	217
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(4,695)	-	-	(4,695)	(37)	(4,732)
Total other comprehensive loss	-	-	-	-	-	217	(4,695)	-	-	(4,478)	(37)	(4,515)
Total comprehensive loss	-	-	-	-	-	217	(4,695)	-	(6,378)	(10,856)	873	(9,983)
Transactions with owners												
Equity-settled share-based payments	-	-	-	-	-	-	-	1,117	-	1,117	-	1,117
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	2,950	2,950
Total transactions with owners	-	-	-	-	-	-	-	1,117	-	1,117	2,950	4,067
At 30 June 2011 (unaudited)	69,218	220,633	(16,261)	225	1,550	1,973	(5,925)	5,321	(12,885)	263,849	3,609	267,458

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Cash (used in)/generated from operations	(6,760)	1,287
Income tax paid		
Taiwan enterprise income tax paid	(6)	(2,687)
PRC enterprise income tax paid	(2,081)	(1,245)
Net cash used in operating activities	(8,847)	(2,645)
Net cash (used in)/generated from investing activities	(2,974)	65,361
Net cash (used in)/generated from financing activities	(2,202)	147,344
Net (decrease)/increase in cash and cash equivalents	(14,023)	210,060
Effect of foreign exchange rate changes	(3,057)	(1,694)
Cash and cash equivalents at 1 January	242,713	44,428
Cash and cash equivalents at 30 June	225,633	252,794
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand	225,633	252,794

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

1. GENERAL

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 GEM Board of 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 and trading of raw marble.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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 unaudited condensed 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 unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities are stated at their fair value:

- freehold land and buildings; and
- financial assets designated as at fair value through profit or loss.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretation ("new or revised HKFRSs") issued by HKICPA.

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

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

3. 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 period is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Funeral services provided in funeral parlours and funeral service centres under the Group's management	17,244	15,957
Cremation services	6,427	6,718
Funeral arrangement services	3,874	7,087
Cemetery services	1,476	1,068
Trading of raw marble	7,210	–
	36,231	30,830

(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 was engaged in two (2010: one) business segments of funeral services and trading of raw marble during the six months ended 30 June 2011. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

Funeral services

(i) *Taiwan and Hong Kong*

- provision of funeral arrangement services to both funeral services deed holders and non-funeral services deed holders.

(ii) *The PRC*

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

Trading of raw marble

- trading of raw marble in Taiwan and the PRC.

The following is an analysis of the Group's revenue and results by reportable segments:

	(Unaudited)					
	Funeral services		Trading of raw marble		Consolidated	
	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	29,021	30,830	7,210	–	36,231	30,830
Segment results	(1,795)	5,612	2,331	–	536	5,612
Other revenue					1,926	4,072
Exchange gain/(loss)					48	(449)
Central administration costs					(7,349)	(4,491)
Finance costs					(165)	(159)
(Loss)/profit before taxation					(5,004)	4,585
Income tax					(464)	(3,035)
(Loss)/profit for the period					(5,468)	1,550

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2010: Nil).

Segment results represent the profit/(loss), earned/(suffered) by each segment without allocation of other revenue, exchange gain/(loss), central administration costs, finance costs and income tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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.

	Revenues from external customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Taiwan	10,872	7,087	30,109	30,145
The PRC	25,274	23,743	15,749	15,256
Hong Kong	85	–	1,054	1,094
Other	–	–	5	–
	36,231	30,830	46,917	46,495

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other revenue		
Interest income on bank deposits	58	75
Interest income on coupon bonds	540	–
Interest income on financial assets not at fair value through profit or loss	598	75
Commission income	–	3,617
Sundry income	106	761
	704	4,453
Other net gain/(loss)		
Changes in fair value of freehold land and buildings	127	238
Net exchange gain/(loss)	48	(449)
Net gain on terminated and lapsed funeral services deeds	56	30
Net realised gain on trading securities	1,233	–
Net realised and unrealised loss on financial assets designated as at FVTPL	(194)	(651)
	1,270	(832)
	1,974	3,621

5. (LOSS)/PROFIT BEFORE TAXATION

The Group's (loss)/profit before taxation is arrived at after charging the followings:

		Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(a)	Finance costs		
	Interests on bank borrowings and other loans		
	– wholly repayable within 5 years	65	50
	– not wholly repayable within 5 years	99	109
	Finance charges on obligation under finance lease	1	–
	Total interest expenses on financial liabilities not at FVTPL	165	159
(b)	Staff costs (including directors' remunerations)		
	– Salaries, wages and allowances	8,897	5,660
	– Equity-settled share-based payment expenses	303	548
	– Contributions to defined contribution retirement plans	803	233
		10,003	6,441
(c)	Other items		
	Amortisation of intangible assets	1	1
	Auditors' remuneration		
	– audit services	–	151
	– other services	176	131
	Cost of inventories	9,079	4,332
	Depreciation		
	– assets held for own use under finance leases	1	–
	– other assets	1,042	730
	Operating lease rental in respect of		
	– rented premises	486	157
	Less: sub-leasing rental income	–	(21)
	– hire of plant and equipment	183	155
	Less: sub-leasing rental income	–	(35)
	– hire of funeral parlours and funeral service centres	6,704	6,541
	Equity-settled share-based payment expenses	814	1,806

6. INCOME TAX

		Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	Provision of current tax for the year		
	– PRC Enterprise Income Tax (note (c))	426	1,956
	– Taiwan Enterprise Income Tax (note (d))	38	1,079
		464	3,035

Notes:

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2011 (2010: RMB Nil).
- (b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the British Virgin Islands for the six months ended 30 June 2011 (2010: RMB Nil).
- (c) The subsidiaries operating in the PRC are subject to enterprise income tax rate at 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).
- (d) Bau Shan Life Science Technology Co., Ltd. ("Bau Shan"), a direct subsidiary of the Company, is subject to enterprise income tax rate at 17% (2010: 17%) 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 Funeral Services Holdings Co., Ltd., an indirect subsidiary of the Company, as the subsidiary sustained losses for the six months ended 30 June 2011 (2010: RMB Nil).

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for the three months and six months ended 30 June 2011 are based on the unaudited loss attributable to owners of the Company of RMB1,835,000 (2010: loss of RMB953,000) and loss of RMB6,378,000 (2010: profit of RMB1,550,000) respectively and on the weighted average number of 742,500,000 (2010: 706,896,000) and 742,500,000 (2010: 664,931,000) ordinary shares in issue during the periods.

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

8. DIVIDENDS

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2011 (2010: RMB Nil).

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Mutual funds/unit trusts at fair value Established outside Hong Kong	43,239	44,573

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.

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 suffered an investment loss of approximately RMB194,000 for the six months ended 30 June 2011 (2010: loss of approximately RMB651,000). 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.

10. TRADE AND OTHER RECEIVABLES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Trade receivables	6,849	-
Other receivables	17,464	14,741
Loans and receivables	24,313	14,741
Deposits and prepayments	71,405	71,296
	95,718	86,037

The ageing analysis of trade receivables, based on the date of sales of goods or services rendered, is as follows:

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
0 to 30 days	5,480	–
31 days to 90 days	326	–
Over 90 days	1,043	–
	6,849	–

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

The average credit period of sales granted to customers of Trading of Raw Marble segment is 30 days – 90 days.

11. TRADE AND OTHER PAYABLES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Trade payables	4,168	1,173
Accruals and other payables	3,268	4,740
Amounts due to related parties	2,121	–
Financial liabilities measured at amortised cost	9,557	5,913

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
0 to 30 days	3,599	834
31 days to 90 days	199	259
Over 90 days	370	80
	4,168	1,173

The average credit period of purchases is 30 days – 90 days.

12. RECEIPT IN ADVANCE

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 (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 (see note 9).

If the Deed Holders terminate 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.

13. SHARE CAPITAL

	No. of shares	RMB'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31 December 2010 and 30 June 2011	10,000,000,000	881,541
Ordinary shares, issued and fully paid:		
At 1 January 2010	622,500,000	58,706
Issue of shares under placing	120,000,000	10,512
At 31 December 2010 and 30 June 2011	742,500,000	69,218

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 allotted and issued 120,000,000 shares of HK\$0.10 each at the subscription price of HK\$1.50 per share.

14. ACQUISITION OF SUBSIDIARIES

Acquisition of 55% of equity interests of Jing Run Limited ("Jing Run")

On 1 April 2011, the Company acquired 55% of equity interests of Jing Run by subscription of 550,000 shares of Jing Run of US\$1.00 each at a consideration of US\$550,000 (equivalent to approximately RMB3,605,000). Jing Run, together with its wholly owned subsidiaries, Full Famous Development Limited and Chongqing Full Famous Stone Material Co., Ltd. (重慶豐譽石材有限責任公司) (the "Jing Run Group"), were mainly engaged in the trading of raw marble used for the construction of building and gravestone.

The fair values of the identifiable assets and liabilities of Jing Run Group acquired as at the date of acquisition are as follows:

	Carrying amounts RMB'000 (Unaudited)	Fair value adjustments RMB'000 (Unaudited)	Fair values RMB'000 (Unaudited)
Property, plant and equipment	304	–	304
Trade and other receivables	2,599	–	2,599
Cash and cash equivalents	6,394	–	6,394
Trade and other payables	(498)	–	(498)
Amounts due to related companies	(1,180)	–	(1,180)
Amounts due to group companies	(1,064)	–	(1,064)
Net identifiable assets and liabilities	6,555	–	6,555
Less: Non-controlling interests			(2,950)
Consideration, satisfied in cash			3,605
Cash and cash equivalents acquired			6,394
Net cash inflow			2,789

In the opinion of directors, the carrying amounts of the identifiable assets and liabilities of Jing Run Group as at the date of acquisition approximate their fair values.

15. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following transactions with related parties:

Name of related parties	Nature of relationship	Nature of transaction	Amount paid/(received)	
			Six months ended 30 June	
			2011	2010
			RMB'000	RMB'000
			(Unaudited)	(Unaudited)
Sunny Win Light Ray Nano Technology Co., Ltd.	Substantial shareholder of a subsidiary	Sales of raw marble	(1,362)	–
		Purchases of raw marble	1,696	–
China Day Limited	Mr. Mak King Sau is the common director of subsidiaries	Consultancy fee paid	529	–

(b) Amount due to related parties:

	30 June	31 December
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Sunny Win Light Ray Nano Technology Co., Ltd.	(1,621)	–
Mr. Chung, Yuan-yuan	(500)	–

(c) *Key management personnel remuneration*

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	827	218
Salaries and allowances	230	464
Contributions to defined contribution retirement plans	–	–
	1,057	682

16. CAPITAL COMMITMENTS

The Group's capital commitments are as follows:

	30 June	31 December
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Capital expenditure contracted but not provided for:		
– Acquisition of property, plant and equipment	4,364	2,589
– Investment in a joint venture	6,500	6,500
	10,864	9,089

Management Discussion and Analysis

Business review

For the six months ended 30 June 2011, the Group's overall turnover rose by 17.5% to RMB36.2 million (2010: RMB30.8 million). The increase in turnover was mainly attributable to the Group's newly added business, the trading of raw marble, which commenced operation in April 2011. Turnover derived from marble trading reached RMB7.2 million, accounting for 19.9% of the Group's total revenue.

The Group acquired 55% of equity interest of Jing Run Limited ("Jing Run") by subscription of 550,000 shares of Jing Run of US\$1.00 each at a consideration of US\$550,000 (approximately RMB3.6 million) in April 2011. Established in 2010, Jing Run was mainly engaged in the trading of raw marble used for the construction of buildings and gravestones.

The funeral services business made up 80.1% (2010: 100%) of the Group's total turnover, reaching RMB29.0 million (2010: RMB30.8 million). Rongchang County Funeral Parlour and Lian Hua Tang commenced operation in January 2011. Lian Hua Tang is able to offer customers cremation services and other resources through collaboration with Jiang Nan Funeral Parlour, thereby achieving synergies in operations. 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, China's largest city. Lian Hua Tang, together with Rongchang county funeral parlour, has further strengthened the Group's market penetration in Chongqing.

In January 2011, the Group's office in Hung Hom, Hong Kong, was officially opened and went into operation to promote its new products, "Complete Lifetime Service Deed" as well as other funeral services. The sales department in the Hunghom Office enables customers to have more direct and in-depth understanding of the nature of the Complete Lifetime Service Deed, and has enhanced market confidence in the concept and business, which is of material importance in the sale of Complete Lifetime Service Deed. Although the office has only opened for six months, it has secured tremendous trust and confidence in its business from its customers.

The Group has also been granted a license by the Director of Food and Environmental Hygiene to carry on the business of an undertaker of burials in compliance with the Undertakers of Burials Regulation, Chapter 132CB of the Laws of Hong Kong on 25 February 2011.

The Group participated in the Hong Kong Senior Fair which was held from 20 to 22 May 2011. The Fair covered all ranges of services and products targeting senior citizens. As a leading funeral services provider in Greater China, apart from providing more information on the new service fusing the "Complete Lifetime Service Deed", the Group also shared with the participants the operating philosophy of the Group with an aim to further strengthen the Group's brand awareness and visibility in Hong Kong.

Prospects

Looking ahead, the Group will adopt more aggressive strategies in steering its major businesses, including funeral services and raw marble trading, towards more robust growth. Building on its extensive experience and solid financial position as well as a strong professional management team, the Group will seek to tap the huge potential opportunities in its respective business sectors.

For its funeral services business, the Group is planning to put greater efforts into enhancing the profitability and competitiveness of its current operations. New management contracts for funeral service centres, parlours and cemeteries are under negotiation in provinces adjacent to Chongqing. The Group also intends to continue evaluation of potential investment opportunities including expanding into other regions with huge potential, such as Southeast Asia.

As there are approximately 4,000 cemeteries in China, the management is of the view that the Group's vertical integration into the marble segment will provide tremendous opportunities to the Group. Here, the Group can leverage its professional design and knowledge to produce the high-end marble products which are more close to the needs in this industry. In addition to cemeteries, marble is also becoming more widely used in construction and furnishing, hence this business can greatly widen the potential income stream of the Group as well.

With the increasing awareness and education as well as understanding about the "Complete Lifetime Service Deed" in Hong Kong where the numbers of senior citizens aged over 60 years old is growing in recent years, the management believes Hong Kong is ready to start a new chapter in funeral services with the market forgoing ahead at full force.

The Group has implemented an enterprise resource planning software and system designated for funeral industry workflow. The IT system should further enhance the management of the manpower and ensure the correct and efficient process of the whole workflow while better controlling the operating costs and service items analysis.

Financial review

For the six months ended 30 June 2011, the Group's turnover was approximately RMB36.2 million, representing an increase of 17.5% from approximately RMB30.8 million for the corresponding period of last year. The rise was mainly attributed to the expansion of operation in the PRC resulted in the turnover of the PRC also increased by approximately 6.4% and the newly acquired trading of raw marble business for the six months ended 30 June 2011.

Cost of sales for the six months ended 30 June 2011 was approximately RMB12.5 million, rising by approximately 53.8% 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 operations expansion in the PRC and the cost from the trading of raw marble business.

The other revenue and other net gain/(loss) for the six months ended 30 June 2011 was approximately RMB2.0 million compared with RMB3.6 million for the corresponding period in 2010. The decrease was mainly due to a decrease in commission income received.

Selling expenses for the six months ended 30 June 2011 rose by approximately 16.2% to approximately RMB10.7 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 parlours and funeral service centres management business in the PRC.

Administrative expenses rose by approximately 60.2% to approximately RMB19.7 million for the six months ended 30 June 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; (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 other administrative costs after the listing of the Company.

The loss attributable to the shareholders for the six months ended 30 June 2011 was approximately RMB6.4 million compared with profit of RMB1.6 million for the corresponding period of last year with the decline as a result of the cumulative effect from the above-mentioned factors.

Liquidity, Financial Resources and Capital Structure

The Group maintains a healthy and sound financial position. As at 30 June 2011, the Group had bank balances and cash of approximately RMB225.6 million (31 December 2010: approximately RMB242.7 million) and bank and other loans of approximately RMB12.2 million (31 December 2010: approximately RMB14.4 million). All bank and other loans were denominated in New Taiwan Dollars, at prevailing market interest. As at 30 June 2011, the Group had no other material capital commitments, material contracts or significant investment plans, except those disclosed in this report. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity facilities to meet operation requirements and acquisition opportunities. The gearing ratio representing the ratio of total borrowing to the total assets of the Group was 2.9% as at 30 June 2011 (31 December 2010: 3.4%).

Exposure to Fluctuation in Exchange Rates

The Group's operations are geographically based in the PRC and Taiwan. The revenue derived from Taiwan accounted for approximately 30.0% (2010: approximately 23.0%) of the total revenue for the six months ended 30 June 2011. The financial statements are presented in Renminbi, while a significant portion of the revenue and expenses are denominated in New Taiwan Dollar. It is possible that the value of Renminbi may fluctuate in value against that of the New Taiwan Dollars. The Group's operations results and financial condition may be affected by changes in the exchange rates of Renminbi against the New Taiwan Dollar, in which the Group's revenue and expenses are denominated. As at 30 June 2011, the Group did not have any borrowings, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

Significant Acquisitions and Disposal of Investments

Save as disclosed in “Business Review” section of this report, the Group did not have any significant acquisition and disposal of investment as at 30 June 2011.

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 RMB23.3 million (31 December 2010: approximately RMB28.0 million).

The Number and Remuneration of Employees

As at 30 June 2011, the Group employed approximately 434 employees (31 December 2010: 362 employees). The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

Contingent Liabilities

As at 30 June 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 30 June 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 30 June 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 30 June 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. 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 30 June 2011 are as follows:

	Date of grant	Exercise price	Exercisable period	Option held at 1 January and 30 June 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
				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 30 June 2011, 3,084,000 of 52,836,000 options are exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,752,000 of 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 30 June 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 30 June 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 six months ended 30 June 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 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.

The Company is also in the progress of assessing the effect of the implementation of CCGP on the Company’s operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the six months ended 30 June 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 securities of the Company. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings as set out in its code of conduct regarding securities transactions by Directors.

Comparison of Business Objectives With Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group’s actual business progress for the period from 9 September 2009 (the “Listing Date”) to 30 June 2011 is set out below:

Business objectives for the period from the Listing Date to 30 June 2011 as stated in the Prospectus

1. Expand funeral services network in other major cities by entering into funeral-services agreement

Actual business progress up to 30 June 2011

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.

**Business objectives for the period
from the Listing Date to 30 June 2011
as stated in the Prospectus**

Actual business progress up to 30 June 2011

- | | | |
|----|--|--|
| 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.

Also, the Group has implemented an enterprise resource planning software and system designated for funeral industry workflow. |
| 4. | Refurbishment of new and existing service centres | The Group has started the decoration and improvement of funeral parlour and services centres. |
| 5. | Expansion of marketing network | The Group has started the establishment of the website.

The Group has participated in the Hong Kong Senior Fair 2011 in May 2011. |

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from the Listing Date to 30 June 2011, 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 30 June 2011	Actual use of proceeds from the date of listing to 30 June 2011
	RMB'000	RMB'000
Expand funeral services network in other major cities by entering into funeral-services agreement	12,960	11,170
Develop business in columbarium in Taiwan	11,560	–
Purchase of funeral service equipment and facilities	28,600	4,324
Refurbishment of new and existing service centres	21,266	11,304
Expansion of marketing network	1,450	1,363

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

Due to the above reasons and since certain expansion activities were postponed, the net proceeds applied during the period from the Listing Date to 30 June 2011 are less than expected. The Directors expect that most of the business objectives stated in the Prospectus for the period from the Listing Date to 30 June 2011 will be revisited in the second half of 2011.

All the remaining proceeds as at 30 June 2011 had been placed as interest bearing deposits in banks.

Audit Committee

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

The audit committee has reviewed the financial statements of the Group for the six month period ended 30 June 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 has been made in respect thereof.

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

Hong Kong, 9 August 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.