



香港生命集團控股有限公司

HONG KONG LIFE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability) (於開曼群島註冊成立之有限公司)
Stock code 股份代號: 8212

FIRST QUARTERLY REPORT

2011/2012



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 board of directors (“**Directors**”) of Hong Kong Life Group Holdings Limited (“**Company**”, and together with its subsidiaries “**Group**”) collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“**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 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 herein or this report misleading.*

RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months ended 30 September 2011, together with comparative figures for the same corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the three months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	2	48	8,457
Cost of sales		(44)	(2,470)
Gross profit		4	5,987
Other income		–	105
Selling expenses		(1)	(3,798)
Administrative expenses		(5,598)	(5,393)
Operating loss		(5,595)	(3,099)
Finance costs		(3,522)	(2,069)
Share of loss of a jointly controlled entity		(9)	–
Loss before taxation		(9,126)	(5,168)
Income tax expense		–	–
Net loss for the period		(9,126)	(5,168)
Attributable to:			
Owners of the Company		(9,064)	(5,152)
Non-controlling interests		(62)	(16)
		(9,126)	(5,168)
Loss per share	5		(restated)
Basic		(HK3.90 cents)	(HK4.13 cents)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net loss for the period	(9,126)	(5,168)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	2	60
Total comprehensive income for the period	(9,124)	(5,108)
Attributable to:		
Owners of the Company	(9,107)	(5,309)
Non-controlling interests	(17)	201
Total comprehensive income for the period	(9,124)	(5,108)

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 July 2011, the adoption has no significant impact on the Group's results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

The unaudited consolidated results have been prepared under the historical cost convention except that certain intangible assets and financial instruments are measured at fair values. The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group's audited financial statements for the year ended 30 June 2011.

The unaudited consolidated results of the Group for the three months ended 30 September 2011 are unaudited but have been reviewed by the Company's Audit Committee.

2. REVENUE

Revenue represents amount receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

For management purpose, the Group is currently organized into three operating divisions. These divisions are the basis on which the Group reports its primary segment information for the three months ended 30 September 2011. Principle activities are as follows:

Trading of natural resources	–	Trading of edible oil products and mineral materials
Provision of shrine	–	Provision of shrine for memorial of ancestor
Paper-offering	–	Paper-offering business

An analysis of the Group's revenue was as follows:

	For the three months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Trading of natural resources	–	–
Provision of shrine	–	8,433
Paper-offering	48	24
	<hr/>	
	48	8,457
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3. INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. No provision for overseas income tax was made as the Company's overseas subsidiaries did not have taxable income for the three months ended 30 September 2011.

No Hong Kong Profits Tax had been made as the Group had no assessable profits derived from Hong Kong for the three months ended 30 September 2011 (2010: Nil).

PRC Enterprise Income Tax had not been provided for the PRC subsidiaries as they did not generate any assessable profits for the three months ended 30 September 2011 (2010: Nil).

4. DIVIDEND

The Directors have resolved not to pay any interim dividend for the three months ended 30 September 2011 (2010: Nil).

5. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company:

	For the three months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	(9,064)	(5,152)
	For the three months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	232,282,826	124,718,183
Basic loss per share	HK3.90 cents	HK4.13 cents

Diluted loss per share for the three months ended 30 September 2010 and 2011 have not been presented, as the outstanding convertible bonds and share options had an anti-dilutive effect.

6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2011

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Convertible bonds reserve	Share options reserve	Translation reserves	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2011 (Audited)	213,700	866,989	15,826	83,830	1,847	257	(222,336)	960,113	2,457	962,570
Total comprehensive income for the period	-	-	-	-	-	-	(9,107)	(9,107)	(17)	(9,124)
At 30 September 2011 (Unaudited)	213,700	866,989	15,826	83,830	1,847	257	(231,443)	951,006	2,440	953,446
At 1 July 2010(Audited)	33,837	458,226	15,826	217,959	-	4,430	(126,989)	(603,289)	17,638	(620,927)
Total comprehensive income for the period	-	-	-	-	-	(157)	(5,152)	(5,309)	201	(5,108)
Subscription of shares	741	11,856	-	-	-	-	-	12,597	-	12,597
Issue of shares on conversion of convertible bonds	6,800	145,081	-	(71,256)	-	-	-	80,625	-	80,625
At 30 September 2010 (Unaudited)	41,378	615,163	15,826	146,703	-	4,273	(132,141)	(515,376)	17,839	(532,813)

7. CAPITAL COMMITMENTS

	At 30 September 2011 HK\$'000 (Unaudited)	At 30 June 2011 HK\$'000 (Audited)
Capital expenditure in respect of sole distribution right of the paper-offering business	459	488

8. EVENTS AFTER THE REPORTING PERIOD

In June 2011, the Company entered into a memorandum of understanding ("MOU") with the vendor in relation to a proposed acquisition of cemetery business in Guangdong Province, PRC ("Proposed Acquisition"). As the Company was unable to conduct its due diligence review owing to the restructuring of the target company proposed to be acquired, a written notice was given to the vendor to terminate the MOU and not to proceed further with the Proposed Acquisition on 31 October 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 30 September 2011, the Group recorded an unaudited revenue of approximately HK\$48,000, representing a decrease of 99.43% as compared with approximately HK\$8.5 million for the three months ended 30 September 2010.

Administrative expenses for the three months ended 30 September 2011 was approximately HK\$5.6 million, representing an increase of 3.70% as compared with approximately HK\$5.4 million of the corresponding period last year.

On 14 July 2011, the Company proposed a share consolidation of every twenty issued and unissued shares of HK\$0.10 each into one consolidated share ("Share Consolidation") of HK\$2.00 each ("Consolidated Share") and a capital reduction of the par value of each issued Consolidated Share from HK\$2.00 to HK\$0.0001 by cancelling paid up capital to the extent of HK\$1.9999 on each issued Consolidated Share ("Capital Reduction") and the sub-division of each authorized but unissued Consolidated Share into 20,000 new shares of HK\$0.0001 each ("Sub-division"). The share consolidation became effective on 23 August 2011. The Capital Reduction and Sub-division are subject to approval of the Grand Court of the Cayman Islands and the registration of the Court order confirming the Capital Reduction and minutes approved by the Court containing the particulars required under the Companies Laws of the Cayman Islands with respect to the Capital Reduction with the Registrar of the Companies of the Cayman Islands.

Business Review

During the period under review, the Group was still confronted by a harsh and severe situation and, owing to the fact that, being the core business of the Group, the shrine business was materially adversely affected by the government's columbarium policy and the judicial review proceedings of the Group.

By judgment of the High Court made on 3 October 2011 (the "Judgment"), the Court ordered that the Company's application for judicial review was dismissed. As a nutshell, the Judge having considered the planning intention, the context of the Outline Zoning Plan ("OZP") and the meaning of "shrine", the Judge came to the view that the use of the land by the project of the Company in Yuen Long, Hong Kong ("The Shrine") plainly falls outside the scope of a use serving the needs of the villagers and in support of the village development; and in conclusion, the Judge adjudged that The Shrine is not a shrine within the meaning of Paragraph (9)(b) in the context of the OZP but rather, it is a columbarium and the Judicial Review fails.

The subsidiaries of the Company submitted the Notice of Appeal to the Court of Appeal appealing against the Judgment on 27 October 2011.

In June 2011, the Company entered into a memorandum of understanding ("MOU") with the vendor in relation to a proposed acquisition of cemetery business in Guangdong Province, PRC ("Proposed Acquisition"). As the Company was unable to conduct its due diligence review owing to the re-structuring of the target company proposed to be acquired, a written notice was given to the vendor to terminate the MOU and not to proceed further with the Proposed Acquisition on 31 October 2011.

Turning to the paper-offering business, small amount of orders were placed from customers in Hong Kong. With more newly developed paper-offering products from SKEA, the Group is confident that contribution from paper-offering business will continue to grow and contribute to the total turnover.

Prospects

With the increased promotion and more newly developed paper-offering products from SKEA, the brand name "SKEA" will be widely-recognized. The registration of patents regarding the paper-offering products in the PRC is in the process. Once the registration is completed, more resources will be put for the development of the paper-offering business in the PRC.

The Board will continue to explore other potential investment opportunities so as to diversify its business and strengthen the profitability of the Group.

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

As at 30 September 2011, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying Shares of the Company

Name of Directors	Nature of interests/Capacity	Number of Shares	underlying Shares	Approximate percentage of issued share capital
Mr. Lam Wai Pong	Personal	–	297,000 (note 1)	0.28%
Mr. Lau Chi Kwong	Personal	–	297,000 (note 2)	0.28%
Mr. Poon Lai Yin Michael	Personal	–	296,000 (note 3)	0.28%

Notes:

1. The personal interest of Mr. Lam Wai Pong represents an interest in 297,000 underlying Shares in respect of options granted by the Company as detailed below.
2. The personal interest of Mr. Lau Chi Kwong represents an interest in 297,000 underlying Shares in respect of options granted by the Company as detailed below.
3. The personal interest of Mr. Poon Lai Yin Michael represents an interest in 296,000 underlying Shares in respect of options granted by the Company as detailed below.

Share Option Scheme

Pursuant to the share consolidation of every 20 issued and un-issued shares of HK\$0.10 each into 1 consolidated share of HK\$2.00 each became effective on 23 August 2011, details of the share options granted under the share option scheme as at 30 September 2011 are as follows:

Name	Date of grant	Number of share options	Exercised		Exercise period	Number of share options outstanding as at 30 September 2011
			during the period	Exercise price (HK\$ per share)		
Mr. Lam Wai Pong	2 February 2011	297,000	-	3.60	2 February 2011 to 1 February 2016	297,000
Mr. Lau Chi Kwong	2 February 2011	297,000	-	3.60	2 February 2011 to 1 February 2016	297,000
Mr. Poon Lai Yin Michael	2 February 2011	296,000	-	3.60	2 February 2011 to 1 February 2016	296,000

Save as disclosed above, during the three months ended 30 September 2011, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the three months ended 30 September 2011 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2011, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of ordinary shares held	Percentage of shareholding
Red Rabbit Capital Limited (<i>Note</i>)	Beneficial owner	18,264,100	17.09%
Kong Lung Cheung (<i>Note</i>)	Interest in controlled corporation	18,264,100	17.09%
Zhang Ming	Beneficial owner	7,500,000	7.02%

Note: Mr. Kong Lung Cheung has equity interest of 100% of the issued share capital of Red Rabbit Capital Limited. The shares referred to herein relates to the same parcel of shares held by Red Rabbit Capital Limited.

Save as disclosed above, as at 30 September 2011, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

On 28 July 2011, the Company repurchased 12 shares of HK\$0.10 each of the Company on the Stock Exchange at a cash consideration of HK\$0.33. These 12 shares were cancelled on 12 August 2011.

Save as disclosed above, during the three months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business that competed or might compete with the business of the Group.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' dealing in securities of the Company. The Company's Directors have complied with such code of conduct and the required standard of dealings.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Code on Corporate Governance Practices of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, interim report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control and financial reporting matters.

The audit committee consisted of three independent non-executive Directors, namely Ms. Li Mei Kuen, Mr. Siu Kwok Chung and Mr. Sit Bun. Ms. Li Mei Kuen is the chairman of the audit committee. The audit committee has reviewed the Group's unaudited results for the three months ended 30 September 2011.

By Order of the Board

HONG KONG LIFE GROUP HOLDINGS LIMITED

香港生命集團控股有限公司

Lam Wai Pong

Chairman & Executive Director

Hong Kong, 9 November 2011

As at the date of this report, the directors of the Company ("Directors") are:

Executive Directors

Mr. Lam Wai Pong

Mr. Lau Chi Kwong

Ms. Leung Wai Kuen Cerene

Independent Non-executive Directors

Ms. Li Mei Kuen

Mr. Siu Kwok Chung

Mr. Sit Bun

Non-executive Director

Mr. Poon Lai Yin Michael