SINO LIFE

SINO-LIFE GROUP LIMITED
中國生命集團有限公司

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

Live Life to the Fullest

Annual Report 2011

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Tien-Tsai *(Chairman)*
Mr. Kim Eun Back

Non-executive Directors
Mr. Niu Tse-Cheng
Mr. Zheng Yimin

Independent non-executive Directors
Mr. Chai Chung Wai
Mr. Ching Clement Yat-biu
Mr. Lam Ying Hung Andy
Mr. Luo Xuegang

COMPANY SECRETARY

Mr. Mok Yu Ting *CPA, FCCA*

AUTHORIZED REPRESENTATIVES

Mr. Liu Tien-Tsai
Mr. Mok Yu Ting *CPA, FCCA*

COMPLIANCE OFFICER

Mr. Liu Tien-Tsai

AUDIT COMMITTEE

Mr. Ching Clement Yat-biu *(Chairman)*
Mr. Luo Xuegang
Mr. Lam Ying Hung Andy
Mr. Chai Chung Wai

REMUNERATION COMMITTEE

Mr. Chai Chung Wai *(Chairman)*
Mr. Ching Clement Yat-biu
Mr. Luo Xuegang
Mr. Lam Ying Hung Andy

NOMINATION COMMITTEE

Mr. Luo Xuegang *(Chairman)*
Mr. Ching Clement Yat-biu
Mr. Chai Chung Wai
Mr. Lam Ying Hung Andy

AUDITOR

CCIF CPA Limited
Certified Public Accountants

SOLICITORS

P. C. Woo & Co.

COMPLIANCE ADVISER

Sun Hung Kai International Limited

PRINCIPAL BANKER

First Commercial Bank
The Hongkong and Shanghai Banking Corporation Limited
Hua Nan Bank（華南商業銀行）
China Merchants Bank

REGISTERED OFFICE

Marquee Place, Suite 300
430 West Bay Road
P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands

PLACE OF BUSINESS

Room 1806, 18th Floor
Dominion Centre
43–59 Queen's Road East
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

Hong Kong branch share registrar and transfer office
Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

8296

WEBSITE

www.sinolifegroup.com

Chairman's Statement

Review

On behalf of the board of directors (the "Board"), I hereby present the results of Sino-Life Group Limited ("Sino-Life" or the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2011 ("Year 2011").

During the past year, the Group continued to optimise its existing businesses and actively expanded its regional coverage on the strength of its robust business platform, while strengthening its corporate image and brand impact in its dedication to provide more professional and excellent services. We have achieved exceptional results through our efforts across a number of areas.

In optimising our existing businesses, as the first funeral industry operator to attain the ISO 9002 international quality certification in Asia, during the year, the Group had established a set of comprehensive Standard Operation Procedures (SOP) and commenced the trial operation of a set of enterprise resource planning (ERP) operation system specially designed for funeral parlours, while providing standardised and high quality professional services to clients. During the past year, the Group continued to arrange rigourous training programmes to employees and recruited more professionals, while it proceeded with an injection of capital to replace facilities for existing bases, aiming at satisfying market demand for quality and professional services.

The Group expanded its coverage during the year under review. From January 2011 onwards, the Group managed the funeral services for Rongchang County Funeral Parlour and Chongqing Nanan District Lian Hua Tang Funeral Service Limited. 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 Group has also been granted a licence by the Director of Food and Environmental Hygiene to carry out 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 also 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. Sino-Life is the first listed company to offer such services in Hong Kong and this enabled our businesses to cover the whole region in Greater China.

The Group is also committed to exploring funeral related business. The Group acquired 55% of equity interest of Jing Run Limited ("Jing Run") by the 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. Jing Run was mainly engaged in the trading of raw marble used for the construction of buildings and gravestones.

The past year was a challenging year for the Group. For the 12 months ended 31 December 2011, the Group's turnover was RMB72.5 million (2010: RMB67.6 million), of which the PRC market accounted for 78.1% and the Taiwan market accounted for 21.6%. Although the Group's turnover had increased, however, loss attributable to shareholders for Year 2011 amounted to RMB30.1 million (2010: profit of RMB1.1 million), due to the one-off charges and marketing expenses that were needed for business expansion, part of the new operation bases still unable to contribute any profit to the Group despite income was being generated, and increase in costs.

Prospects

The PRC and Hong Kong will continue to be the Group's key development regions. As the management is capable of applying its professional and distinctive business model effectively in different regions so as to capture the opportunities simultaneously in other regions with huge potential, such as Southeast Asia, our business coverage will be further expanded in this regard.

On the other hand, the Group has officially entered into a shareholders agreement with a Japanese-invested foreign enterprise on 24 November 2011 to establish a new joint venture ("Joint Venture"). The Group will bring in funeral related products, services and technologies from Japan, resell them to customers and the industry, and provide relevant trainings in future. The initial investment amount of the Joint Venture amounted to US$500,000 (approximately RMB3,147,000), of which the Group has already invested US$300,000 (approximately RMB1,888,000) in January 2012. The Group held 60% of the issued shares of this company.

The new operation bases for Year 2011 are expected to start contributing to the Group's profits in 2012 after one year of investment period. Moreover, the Group will also enhance its efforts in cost control. By leveraging on the Group's strategic business development augmented by sufficient funding, the management is confident that it will bring long-term returns and substantial value to the shareholders.

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

Liu Tien-Tsai
Chairman
Hong Kong, 22 March 2012

Management Discussion and Analysis

Business Review

The Group's turnover derived from the funeral services business provided in the PRC market was RMB52.1 million for the year ended 31 December 2011, representing an decrease of 5.4% from the same period last year, and accounted for 71.9% of the Group's turnover. Gross profit margin of the Group's core funeral services business in the PRC remained at a high level at approximately 77.1%.

In 2011, the Group provides principally management services to Chongqing Jiang Nan Funeral Parlour（重慶市江南殯儀館）, Chongqing Zhong County Funeral Parlour ("Zhong Parlour")（重慶市忠縣殯儀館）, An Fu Funeral Service Centre（安福堂治喪中心）, Rongchang County Funeral Parlour ("Rongchang")（榮昌縣殯儀館）and Chongqing Nanan District Lian Hua Tang Funeral Service Limited ("Lian Hua Tang")（重慶市南岸區蓮花堂殯儀服務有限公司）in Chongqing the PRC. While expanding the business, the Group has adopted a set of comprehensive Standard Operation Procedures (SOP) and commenced the trial operation of a set of enterprise resource planning (ERP) operation system specially designed for funeral parlours. Information technology will further enhance human resource management and will also assure the correctness and efficiency of the whole workflow. Meanwhile, the control of the operation costs and the analysis of service types will also be improved.

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. Moreover, 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.

The Group is also committed to exploring funeral related business. The Group acquired 55% of equity interest of Jing Run Limited ("Jing Run") by the 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. Jing Run was mainly engaged in the trading of raw marble used for the construction of buildings and gravestones. The Group's turnover derived from that business was RMB14.3 million for the year ended 31 December 2011, which accounted for 19.7% of the Group's turnover.

Turnover derived from funeral services business provided in the Taiwan market was RMB5.9 million for the year ended 31 December 2011, representing a decrease of 52.8% from the same period last year, and accounted for 8.1% 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.

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. The PRC and Hong Kong will continue to be the Group's key development regions. 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 other area in the PRC. The Group also intends to continue evaluation of potential investment opportunities including expanding into other regions with huge potential, such as Southeast Asia.

In addition to provision of funeral services, the Group will bring in funeral related products, services and technologies from Japan, resell them to customers and the industry, and provide relevant trainings in future. The Group has officially entered into a shareholders agreement with a Japanese-invested foreign enterprise on 24 November 2011 to establish a new joint venture ("Joint Venture"). The initial investment amount of the Joint Venture amounted to US$500,000 (approximately RMB3,147,000), of which the Group has already invested US$300,000 (approximately RMB1,888,000) in January 2012. The Group held 60% of the issued shares of this company.

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 highend 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.

Financial review

Turnover

The turnover arising from principal activities for the year ended 31 December 2011 was approximately RMB72.5 million (2010: approximately RMB67.6 million), representing an increase of approximately 7.2% as compared to 2010. The increase of total revenue was mainly due to the newly acquired trading of raw marble business, which was approximately RMB14.3 million for the year ended 31 December 2011 and accounted for 19.7% of the Group's turnover. Regarding to the funeral services business provided in the PRC during the year, the turnover was approximately RMB52.1 million (2010: approximately RMB55.1 million), representing an decrease of approximately 5.4% which accounted for 71.9% of the Group's turnover (2010: 81.5%). The turnover generated by the funeral services business provided in Taiwan was approximately RMB5.9 million (2010: approximately RMB12.5 million), or 8.1% of the Group's turnover, representing a decrease of approximately 52.8% as the scope of business of the Group has narrowed.

The turnover from the funeral service provided in funeral parlour and funeral service centres under the Group's management decreased by 3.5%, amounting to approximately RMB39.0 million (2010: approximately RMB40.4 million). The drop was mainly due to the decrease in the number of funeral services provided from 2,715 for 2010 to 2,601 for 2011. The average spending per service provided remained nearly the same of RMB14,987 for 2011 (2010: RMB14,886). The decrease in the number of funeral services provided was due to net effect of the cessation of the provision of management services to Chongqing Tian Fu Funeral Service Centre and Yibin Funeral Service Centre in December 2010 and the commencement of the provision of management services to Rongchang and Lian Hua Tang in January 2011.

The turnover from the cremation services decreased by 7.0%, amounting to approximately RMB10.7 million (2010: approximately RMB11.5 million). Although there was a decrease in the number of cremation services provided from 9,425 for 2010 to 8,454 for 2011, the average spending per service provided increased from RMB1,219 for 2010 to RMB1,261 for 2011. The decrease in the number of cremation services was due to the narrowing for the densely populated urban areas that required for cremation of the county in which Zhong Parlour located by the local government authority. The increase in average spending was due to the increase in the customer spending power in 2011 and the fact that higher fees could be charged after refurbishment of the cremation facilities. Under the funeral parlour management agreement and funeral service centre management agreements, the Group is entitled to all income and responsible for all liabilities and all expenses incurred in the funeral parlour and funeral service centres under the Group's management.

The revenue generated from funeral arrangement services provided in Taiwan and Hong Kong was approximately RMB6.1 million (2010: approximately RMB12.5 million), representing a decline of 51.2% over last year. It was due to the intense competition in the Taiwan funeral service industry and the Directors believe that the market in Taiwan is saturated and room for growth is limited. Thus, the number of cases for the funeral arrangement services dropped in 2011 and resulted in the decrease in the total turnover here.

Gross Profit and Gross Profit Margin

Gross profit decrease by 9.5% to approximately RMB45.6 million (2010: approximately RMB50.4 million), and gross profit margin decreased to approximately 62.9% (2010: approximately 74.5%). The gross profit margin of funeral services provided in funeral parlour and funeral service centres under the Group's management decreased to approximately 74.5% (2010: approximately 78.0%) which was mainly due to the increase in material cost for provision of funeral services. The gross profit margin of cremation services slightly decreased to approximately 85.9% (2010: approximately 86.1%) which was mainly due to the net effect of increase in average spending per service by 3.4% and increase in fuel cost for cremation and that of funeral arrangement services in Taiwan decreased to approximately 40.6% (2010: approximately 48.0%). The gross profit margin of trading of marble business was approximately 20.3%.

The Group's cost of sales primarily consists of costs directly attributable to the provision of its services, which mainly include (i) direct labour for the funeral services provided by individuals during the funeral ceremony held in a funeral parlour or a funeral service centre managed by the Group; (ii) subcontracting charges for services provided by the subcontractors in Taiwan; (iii) commission expenses from the recognition of commission paid to sales agents for funeral services deeds at the point when the services of the funeral services deeds are provided; (iv) materials used for funeral ceremonies and cremation services such as fresh flowers, fuel for the cremation furnace and cost of the goods sold in the funeral parlour and funeral service centres under the Group's management in the PRC; and (v) the cost of raw marble in respect of the business of trading of raw marble.

Selling and Administrative Expenses

Selling expenses increased by approximately 39.8% to approximately RMB26.7 million (2010: approximately RMB19.1 million). The increase was mainly attributable to the Group's increased rental and management costs and agency costs resulting from its expansion in the funeral parlour and funeral service centres management business in the PRC. The proportion of selling expenses to turnover was approximately 36.8% (2010: approximately 28.3%). Administrative expenses rose by approximately 30.2% to approximately RMB43.1 million (2010: approximately RMB33.1 million) as a result of (i) the continuous expansion of the Group's PRC business which had increased the depreciation and amortisation resulting from the increase in investment in the property, plant and equipment in the PRC; (ii) increased staff costs due to increase in number of staff; and (iii) the promotion expenses incurred for the commencement of business operation in Hong Kong. The proportion of administrative expenses to turnover was approximately 59.4% (2010: approximately 49.0%). Finance costs remained nearly the same of approximately RMB0.3 million (2010: approximately RMB0.3 million) because of the decline in bank interest rates. Income tax expense decreased by approximately 59.1% to approximately RMB1.8 million (2010: approximately RMB4.4 million).

Loss for the Year

In 2011, loss attributable to owners of the Company for the year was approximately RMB30.1 million (2010: profit of approximately RMB1.1 million). The loss for the year ended 31 December 2011 was mainly due to (i) the decrease in value of financial assets designated as at fair value through profit or loss and (ii) the increase in expenses for the expansion of the Group's business in China and Hong Kong.

Liquidity, Financial Resources and Capital Structure

The Group maintains a stable financial position. As at 31 December 2011, the Group had bank balances and cash of approximately RMB194.2 million (2010: approximately RMB242.7 million) and bank and other loans and obligation under finance lease of approximately RMB10.9 million (2010: approximately RMB14.4 million). All bank and other loans were denominated in New Taiwan Dollars, at prevailing market interest. During the year, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowing to the total assets of the Group was 2.9% as at 31 December 2011 (2010: 3.4%).

Exposure to Fluctuation in Exchange Rates

During the year, the Group's major operations were geographically based in the PRC and Taiwan. The revenue derived from Taiwan accounted for approximately 21.6% (2010: approximately 18.5%) of the total revenue. Its financial statements are presented in Renminbi, while a significant portion of the revenue and expenses are denominated in the United States Dollar and New Taiwan Dollar. It is possible that the value of Renminbi may fluctuate in value against that of the United States Dollar and New Taiwan Dollar. The Group's operating results and financial condition may be affected by changes in the exchange rates of Renminbi against the United States Dollar and New Taiwan Dollar, in which the Group's revenue and expenses are denominated. As at 31 December 2011, the Group did not have any bank liabilities, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks. Further discussion on financial risk management objectives and policies is included in the "Financial Risk Management" section of note 29 to the Consolidated Financial Statements.

Significant Acquisitions and Disposal of Investments

For the year ended 31 December 2011, the Group did not have any significant acquisition or disposal of investment.

The Number and Remuneration of Employees

As at 31 December 2011, the Group employed approximately 390 employees (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 a regular basis.

Charge on Group Assets

The carrying amounts of property, plant and equipment pledged as security for the Group's bank borrowings and other loans were approximately RMB21.8 million (2010: RMB28.0 million).

Contingent Liabilities

As at 31 December 2011, the Group did not have any contingent liabilities (2010: Nil).

Capital Expenditure

For the year ended 31 December 2011, capital expenditure of the Group for property, plant and equipment amounted to approximately RMB4.3 million (2010: approximately RMB8.0 million). Additionally, the expenditure as payment for deposit for acquisition of property amounted to approximately RMB6.2 million (2010: Nil)

Capital Commitments

As at 31 December 2011, the Group had capital expenditure contracted for but not provided for in the financial statements amounting to approximately RMB7.1 million (2010: approximately RMB9.1 million).

Comparison of Business Objectives With Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from 9 September 2009 (the "Listing Date") to 31 December 2011 is set out below:

	Business objectives for the period from the Listing Date to 31 December 2011 as stated in the Prospectus	Actual business progress up to 31 December 2011
1.	Expand funeral services network in other major cities by entering into funeral-services agreement	The Group has implemented two 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 two other new subcontracting agreements during 2010.
2.	Develop business in columbarium in Taiwan	As disclosed in the announcement by the Company on 5 January 2011, the register for the owner of the columbarium was changed. At present, the new owner is still negotiating with Bau Shan Life Science Technology Co., Ltd.（寶山生命科技股份有限公司）("Bau Shan"), the direct subsidiary of the Company, as to the continuance of the agency agreement to sell cubicles and space for urn storage in the columbarium (the "Products") in Miaoli County in Taiwan or the sale of the columbarium (and the Products) to Bau Shan.
3.	Purchase of funeral service equipment and facilities	The Group is conducting the feasibility study on advanced equipment and facilities designated for funeral. On 24 November 2011, the Group entered into a shareholders agreement with a Japanese-invested enterprise for the plan of bringing funeral related products, services and technologies from Japan.
4.	Refurbishment of new and existing service centres	The Group has started the decoration and improvement of funeral parlours and services centres under its managements.
5.	Expansion of marketing network	The Group has started the establishment of the website and organised and sponsored a forum and research on the funeral industry.

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from the Listing Date to 31 December 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 31 December 2011 RMB'000	**Actual use of proceeds from the date of listing to 31 December 2011** RMB'000
Expand funeral services network in other major cities by entering into funeral-services agreement	12,960	11,448
Develop business in columbarium in Taiwan	11,560	–
Purchase of funeral service equipment and facilities	28,600	4,475
Refurbishment of new and existing service centres	21,266	11,922
Expansion of marketing network	1,450	1,450

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

Due to the above reasons and certain expansion activities were postponed, the net proceeds applied during the period from the Listing Date to 31 December 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 31 December 2011 will be revisited in the first half of 2012.

All the remaining proceeds as at 31 December 2011 have been placed as interest bearing deposits in banks.

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. Except for the deviations from code provision A.2.1, the Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2011. The CCGP code provision A.2.1 requires the roles of the Chairman and Chief Executive Officer of the Company should not be performed by the same individual. Since the Company's size is still relatively small, it is not justified in separating the role of Chairman and Chief Executive Officer. The Group has in place an internal control system to perform the check and balance function. This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with such code of conduct from the date of listing of the Company's Shares on the Stock Exchange up to 31 December 2011.

Board of Directors

As at 31 December 2011, the Board comprises two executive Directors, two non-executive Directors and four independent non-executive Directors as follows:

Executive Directors
Mr. Liu Tien-Tsai
Mr. Kim Eun Back

Non-executive Directors
Mr. Niu Tse-Cheng
Mr. Zheng Yimin

Independent non-executive Directors
Mr. Ching Clement Yat-biu
Mr. Chai Chung Wai
Mr. Lam Ying Hung Andy
Mr. Luo Xuegang

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The biographical details of the Directors and the relationship among the members of the Board are set out in the "Directors and Senior Management" on pages 16 to 18 of this annual report.

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance and internal control of the Group's business operations. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The Board delegates day-to-day activities to the management with department heads responsible for different aspects of the business. Management is required to present an annual budget and any proposal for major investments and changes in business strategies for the Board's approval. The non-executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on the Group's Audit Committee, Remuneration Committee and Nomination Committee.

During the year, the Board complies at all times with the requirement of the GEM Listing Rules relating to the appointment of at least 3 independent non-executive directors and at least one of them has appropriate professional qualifications of accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

The Board normally should schedule four meetings a year at quarterly intervals and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. For the year ended 31 December 2011, the Board held five meetings. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend. The following table shows the attendance of individual Directors at the meetings held during the year:

Mr. Liu Tien-Tsai	5/5
Mr. Kim Eun Back	5/5
Mr. Niu Tse-Cheng	5/5
Mr. Zheng Yimin	5/5
Mr. Ching Clement Yat-biu	5/5
Mr. Chai Chung Wai	5/5
Mr. Lam Ying Hung Andy	4/5
Mr. Luo Xuegang	5/5

Board papers are circulated at least 3 days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable time upon reasonable notice by any Director.

Chairman and Chief Executive Officer

Pursuant to the CCGP provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

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

Appointment, Re-Election and Removal

Under the CCGP Provision A.4.1, all the non-executive Directors should be appointed for a specific term, subject to re-election. At present, each of Mr. Ching Clement Yat-biu, Mr. Chai Chung Wai, Mr. Lam Ying Hung Andy, Mr. Luo Xuegang, the independent non-executive Directors has been appointed for a specific term of three years.

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election.

Nomination of Directors

According to recommended best practices A.4.4 of the CCGP, the listed issuers are recommended to set up a nomination committee with a majority of the members thereof being independent non-executive Directors.

The Company established a nomination committee in August 2009 with written terms of reference in compliance with the CCGP. The principal duties of the nomination committee are to identify and nominate suitable candidates for the appointment of the Directors and make recommendations to the Board on succession planning for the Directors. The nomination committee comprises four independent non-executive Directors, namely Mr. Luo Xuegang (chairman of the nomination committee), Mr. Ching Clement Yat-biu, Mr. Lam Ying Hung Andy, Mr. Chai Chung Wai.

One meeting has been held by the nomination committee on 22 March 2011 and all the present committee members attended the meeting.

Remuneration Committee

The Company established a remuneration committee in August 2009 with written terms of reference in compliance with the CCGP. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management. The remuneration committee comprises four independent non-executive Directors, namely Mr. Chai Chung Wai (chairman of the remuneration committee), Mr. Ching Clement Yat-biu, Mr. Lam Ying Hung Andy and Mr. Luo Xuegang.

One meeting has been held by the remuneration committee on 22 March 2011 and all the present committee members attended the meeting.

Auditors' Remuneration

For the year ended 31 December 2011, the remuneration paid to the auditors, CCIF CPA Limited in respect of audit services amounted to approximately RMB1,146,000 (2010: approximately RMB1,285,000) and non-audit service assignment amounted to approximately RMB174,000 (2010: approximately RMB130,000).

Audit Committee

The Company established an audit committee in August 2009 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The audit committee has four members comprising four independent non-executive Directors, namely Mr. Ching Clement Yat-biu (chairman of the audit committee), Mr. Luo Xuegang, Mr. Lam Ying Hung Andy and Mr. Chai Chung Wai.

For the year ended 31 December 2011, four meetings were held. The following table shows the attendance of individual Directors at the meetings held during the year:

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

The audit committee reviews the quarterly, half-yearly and annual reports before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, half-yearly and annual reports.

Investor Relations and Communication with Shareholders

The Company has established a range of communication channels between itself and its shareholders, and investors. These include the publication of annual, half-yearly and quarterly reports, notices, announcements and circulars, the Company's website at www.sinolifegroup.com and meetings with investors and analysts.

Internal Control

The Board recognises the importance of maintaining an adequate and effective internal control system to safeguard the Company's assets against unauthorised use of disposition, and to protect the interests of shareholders of the Company. Senior management assumes the overall responsibility for reviewing the adequacy and integrity of the Group's internal control system with the guidance of the executive Directors.

During the year, the Board has discussed and reviewed the internal control system and the relevant proposal made by senior management in order to ensure an adequate and effective system of internal control.

Directors' responsibility for the financial statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's loss and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about its reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 29 and 30.

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Directors and Senior Management

Directors

Executive Directors

Mr. Liu Tien-Tsai (劉添財), aged 53, is the chairman of the Group. He was appointed as an executive Director on 24 February 2005. Mr. Liu is responsible for the overall corporate strategies, planning, overall operational management and business development of the Group. Mr. Liu founded Bau Shan and became its controlling shareholder in 1998, and has since then been continuously expanding its management team. Mr. Liu is also the team head of the funeral services deed team. Since the Group's establishment, Mr. Liu has played an active role in training its team.

Mr. Liu obtained certificates in Non-Profit Making Organisation Management and Mortuary Science and Funeral Service Management from Nanhua University (南華大學) in 2000 and 2001 respectively. Having over 10 years of managerial, corporate and business experience, Mr. Liu began his career in funeral business since 1998. Mr. Liu has been a member of Japan Environmental Zhai Yuan Association (日本環境齋苑協會), the National Funeral Director Association of the United States and the FIAT-IFTA of Holland, and a council member of Society of Chinese Funeral Education (中華民國殯葬教育學會) and Chinese Society of Life and Death Studies (中華生死學會). Mr. Liu had also been a lecturer holding seminars on the skills of being a ceremonial master and cosmetology at the Continuing Education Centre, Ling Tung College (嶺東技術學院進修暨推廣教育中心) in Taiwan.

Mr. Liu is currently the professor of the Funeral Service Department of Changsha Social Work College, Hunan (湖南省長沙民政職業技術學院) and an honorary member of the China Funeral Association (中國殯葬協會) in the PRC. Mr. Liu has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Mr. Kim Eun Back (金彥博), aged 45, is an executive Director of the Company appointed on 16 February 2009. Mr. Kim joined the Group in July 1999. Mr. Kim has over 10 years of experience in the industry of funeral services since he joined Bau Shan in 1999. He is responsible for the implementation of the Group's objectives and business development in Taiwan, in particular overseeing the daily operations in Taiwan, monitoring and over-seeing the implementation of funeral services, the improvement of the services and public relation affairs of the Group. He is also the team head of the Taiwan internal compliance team. Mr. Kim's effort has led to significant business growth of Bau Shan. Mr. Kim graduated from the Department of Political Science of the National Chengchi University (國立政治大學) in June 1989, obtained a master degree from the Department of Public Affairs of the Yonsei University (延世大學), Korea in February 1993 and obtained the certificate of ceremonial master from Nanhua University, Taiwan in 2000. Prior to joining the Group, Mr. Kim had working experience in companies that provide funeral services. He has accumulated experience in the funeral services industry which is beneficial to the Group. Mr. Kim has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Non-executive Directors

Mr. Niu Tse-Cheng (鈕則誠), aged 58, is a non-executive Director of the Group. Mr. Niu Tse-Cheng has no relationship with the Group and its connected persons other than being a Director of the Company. He joined the Group in February 2009 and was appointed a non-executive Director on 16 February 2009. Mr. Niu obtained his doctorate degree in literature from the Fu Jen Catholic University (私立輔仁大學) (also known as 天主教輔仁大學) in 1988. He had been the adjunct professor of the Graduate Institute of Philosophy of the National Central University (國立中央大學), Taiwan and the Institute of Life and Death Education and Counseling of the National Taipei University of Nursing and Health Science (formerly known as the "National Taipei College of Nursing") (國立臺北護理健康大學). He has made publications related to mortuary science and funeral service and has conducted research in these areas. Mr. Niu is a full-time professor of the National Central University (國立中央大學) and the Dean of the Faculty of Social Sciences of Ming Chuan University (銘傳大學). Mr. Niu has been a chief officer (理事長) of the Chinese Society of Life and Death Studies (中華生死學會) and chief supervisor (監事長) of the Funeral Education Association of Chinese (中華殯葬教育學會). Mr. Niu has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Mr. Zheng Yimin (鄭一民), aged 77, is a non-executive Director of the Company. Mr. Zheng Yimin has no relationship with the Group and its connected persons other than being a Director of the Company. Mr. Zheng obtained a certificate in journalism from the Institute of Journalism of China (中華新聞函授學院) and his degree in sociology from the China Social Correspondence University (中國社會學函授大學) in July 1986 and August 1987 respectively. Mr. Zheng had been the head of the Settlement Bureau (安置司) at the Ministry of Civil Affairs of the PRC prior to joining the Group. Mr. Zheng has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Independent non-executive Directors

Mr. Chai Chung Wai (齊忠偉), aged 45, is an independent non-executive Director of the Company. He joined the Group in February 2009 and was appointed an independent non-executive Director on 16 February 2009. Mr. Chai obtained his master degree of Accounting from Jinan University on 6 January 2004 and of business administration from the University of Manchester in December 2006. Mr. Chai is a fellow member of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of the Institute of Chartered Accountants in England and Wales and a Fellow of The Hong Kong Institute of Directors. Mr. Chai has extensive experience of over 20 years in the accounting and financial field. He had been the financial controller, and qualified accountant of Yunnan Enterprises Holdings Limited (Stock Code: 455), a company listed on the Stock Exchange, in 2007, also being the executive director, financial controller, company secretary and qualified accountant of Broad Intelligence International Pharmaceutical Holdings Limited (Stock Code: 1149), a company listed on the Stock Exchange, from 2003 to 2007. Since 6 August 2009, Mr. Chai has been the company secretary of Huafeng Group Holdings Limited (Stock Code: 364) a company listed on the Stock Exchange.

Mr. Ching Clement Yat-biu (程一彪), aged 67, is an independent non-executive Director of the Company. He joined the Group in February 2009 and was appointed an independent non-executive Director on 16 February 2009. Mr. Ching obtained the degree of bachelor of Science in Aerospace Engineering from the University of Kansas in 1967, and the master of business administration degree from the University of Toronto in 1976. He is the director of Caneast Group (Canada) Inc. and also a fellow of the Institute of Canadian Bankers. Mr. Ching has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date.

Mr. Lam Ying Hung Andy (林英鴻), aged 46, is an independent non-executive Director of the Company. He joined the Group in February 2009 and was appointed an independent non-executive Director on 16 February 2009. Mr. Lam has over 20 years of experience in logistics, accounting, banking and finance industries. Mr. Lam is the managing consultant of Lontreprise Consulting Limited.

Mr. Lam had been the finance director and administrative accountant in two logistics companies. Mr. Lam had also been a deputy manager and business development manager in various banks prior to joining the Company. Mr. Lam obtained his master degree of professional accounting and a master degree in E-commerce For Executives from the Hong Kong Polytechnic University in December 1999 and November 2004 respectively. Mr. Lam is also a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants and has been elected as an associate of the Hong Kong Institute of Bankers in 1995. He served as the honorary treasurer in Hong Kong-Guangxi Youth Association. Mr. Lam was the independent non-executive director of Sino Haijin Holdings Limited (formerly known as Innovis Holdings Limited) (Stock Code: 8065), which is a company listed on the GEM, in September 2004. He is also the independent non-executive director appointed by Xingfa Aluminum Holdings Limited (Stock Code: 0098) and Brilliant Circle Holdings International Limited (formerly known as "CT Holdings (International) Limited") (Stock Code: 1008), both are companies listed on the Stock Exchange.

Mr. Luo Xuegang (羅學港), aged 61, is an independent non-executive Director of the Group. He joined the Group in February 2009 and was appointed an independent non-executive Director on 16 February 2009. In 1986, Mr. Luo obtained a master degree from Hunan Medical College (湖南醫學院) (now known as Xiangya School of Medicine of Central South University (中南大學湘雅醫學院)). Mr. Luo is currently the professor of the Department of Anatomy and Neurology of Xiangya School of Medicine, Central South University (中南大學湘雅醫學院) and the officer of the Research and Preservation Centre of the Ancient Corpuses and the Cultural Relics of Hunan (湖南省馬王堆古屍和文物研究保護中心). Mr. Luo has worked in Xiangya School of Medicine, Central South University since 1973. Mr. Luo has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past 3 years.

Senior Management

Mr. Tuan Hung Yi (段鴻毅), aged 44, joined the Group in June 2010 and is the general manager of Chongqing Xibao Funeral Technology Company Limited (重慶錫寶殯儀科技有限公司) ("Xibao Technology") and Chongqing Xizhou Funeral Service Company Limited (重慶錫周殯葬服務有限公司) ("Xizhou Service"). He graduated from the Department of Political Science of the National Chengchi University (國立政治大學) in June 1993 with a bachelor degree of Political Science and obtained a certificate from Nanhua University (南華大學) in Taiwan in Mortuary Science and Funeral Service Management in June 2000. As the general manager of Xibao Technology and Xizhou Service, Mr. Tuan is responsible for the sales, marketing and overall business development of all funeral parlours and funeral service centres in the PRC. Mr. Tuan has over 15 years of management experience in the funeral services industry and acquired the requisite management capability to manage the funeral services business of the Group to its benefit.

Mr. Wang Shun Lang (王順郎), aged 44, joined the Group in September 2008 and is the general manager for business development of Xibao Technology. He obtained a certificate from Nanhua University (南華大學) in Taiwan in Mortuary Science and Funeral Service Management in August 2001. As the general manager for business development of Xibao Technology since January 2009, he is responsible for designing and planning for the funeral parlours, promotion and advertisements. Mr. Wang is the head of the PRC internal compliance team. He also provides funeral services training to the senior staff of the Group in the PRC. Mr. Wang has over 10 years of management experience in the funeral services industry and acquired the requisite management capability to manage the funeral services business of the Group to its benefit.

Ms. Pan Hsiu-Ying (潘秀盈), aged 33, graduated from the Ming Chuan University (銘傳大學) with a bachelor degree of Management in 2001 and joined the Group in June 2001 as an administrative assistant. Ms. Pan Hsiu-Ying has since served the Group to the present in various capacities. Ms. Pan has a thorough knowledge and understanding of the Group's business and operations, and has developed a high level of proficiency and management ability with respect to her work with the Group. As head of the funeral services deed department, Ms. Pan is responsible for marketing and attaining the sale of funeral services deeds. Ms. Pan has over 10 years of experience in management in respect of the Group's business and operation.

Company Secretary

Mr. Mok Yu Ting (莫裕庭), aged 35, has served as the financial controller and company secretary of the Company since March 2008. Mr. Mok is responsible for the Company's financial and treasury management. Mr. Mok is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Mok graduated from the Hong Kong University of Science and Technology in 1999 with the degree of bachelor of Business Administration in Accounting and further obtained two master degrees of Corporate Finance from the Hong Kong Polytechnic University in 2006 and of Law in China Business Law from the Chinese University of Hong Kong in 2009. He has over 12 years of experience in auditing, accounting and financial management.

The Board is here to present the annual report and the audited consolidated financial statements for the year ended 31 December 2011.

Principal Activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 36 to the consolidated financial statements. During the year, through acquisition of 55% of equity interest of Jing Run Limited ("Jing Run"), the Group also engaged in the trading of raw marble used for the construction of buildings and gravestones. Saved as disclosed above, there were no significant changes in nature of Group's principal activities during the year.

Results and Appropriations

The Group's loss for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 31 to 104.

The Board does not recommend the payment of any dividend for the year ended 31 December 2011.

Use of Proceeds From the Company's Initial Public Offering

The proceeds from the Company's issue of new shares at the time of its listing on the GEM of Stock Exchange in September 2009, after deduction of related issuance expenses, amounted to approximately RMB82.3 million. These proceeds will be fully applied in accordance with the proposed applications set out in the Prospectus, as follows:

- approximately RMB28.6 million for the expansion of funeral services in the PRC;
- approximately RMB5.6 million for the refurbishment of existing funeral parlours and funeral service centres under the Group's management in the PRC;
- approximately RMB28.6 million for the purchase of funeral service equipment and facilities;
- approximately RMB1.5 million for the expansion of its marketing network in the PRC;
- approximately RMB11.6 million for the development of columbarium business in Taiwan, and;
- approximately RMB6.4 million for general working capital of the Group.

All the remaining proceeds as at 31 December 2011 have been placed as interest bearing deposits in banks.

Summary of Financial Information

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**72,521**	67,600	47,544	41,481	36,948
Gross profit	**45,564**	50,363	34,138	29,274	21,389
(Loss)/profit before taxation	**(27,947)**	5,355	16,780	4,034	11,934
(Loss)/profit attributable to owners of the Company	**(30,079)**	1,105	12,463	2,128	7,555
Basic (loss)/earnings per share (RMB cents)	**(4.05)**	0.16	2.48	0.47	1.68

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**57,027**	53,495	38,747	33,031	40,855
Current assets	**315,135**	367,006	222,561	132,493	117,423
Current liabilities	**125,207**	133,778	126,344	142,155	133,070
Net assets	**236,892**	273,374	121,610	9,162	8,592

Major Customers and Suppliers

Since the Group is principally engaged in the provision of funeral services, and trading of raw marble used for the construction of buildings and gravestones. Sales from the Group's five largest customers accounted for 17.6% of the total sales for the year and sales from the largest customer included therein amount to 5.5%. Purchases from the Group's five largest suppliers accounted for 54.7% of the total purchases for the year and purchases from the largest supplier included therein amounted to 12.5%.

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

Segment Reporting

Details of segment reporting are set out in note 4 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2011, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately RMB198.6 million.

Donations

Charitable donations made by the Group during the year amounted to RMB184,000 (2010: RMB36,000).

Directors

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

Executive Directors
Mr. Liu Tien-Tsai
Mr. Kim Eun Back

Non-executive Directors
Mr. Niu Tse-Cheng
Mr. Zheng Yimin

Independent non-executive Directors
Mr. Ching Clement Yat-biu
Mr. Chai Chung Wai
Mr. Lam Ying Hung Andy
Mr. Luo Xuegang

According to the requirements of Article 16.18 of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Kim Eun Back, Mr. Chai Chung Wai and Mr. Luo Xuegang will retire by rotation in accordance with Article 16.18 of the Article of Association, and, being eligible, offer themselves for re-election in the forthcoming Annual General Meeting.

Board of Directors and Senior Management

Biographical information of the Directors and senior management of the Group are set out on pages 16 to 18 of this annual report.

Directors' Service Agreement

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 9 September 2009 unless terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 9 September 2009 unless terminated by not less than three months' written notice served by either party on the other.

Each of the independent non-executive Directors namely, Mr. Ching Clement Yat-biu, Mr. Chai Chung Wai, Mr. Lam Ying Hung Andy and Mr. Luo Xuegang has respectively entered into a letter of appointment with the Company for a term of three years commencing on 9 September 2009 unless terminated by not less than one months' notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the forthcoming Annual General Meeting, has a service agreement which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

Emolument Policy

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

Remuneration of Directors and Five Individuals With Highest Emoluments

Details of the emoluments of the directors and five individuals with highest emoluments are set out in note 8 and note 9 to the consolidated financial statements.

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

As at 31 December 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) ("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	308,184,000	41.51%

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

The register of substantial shareholders required to be kept under section 336 of Part XV of SFO showed that as at 31 December 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 Yong Sheng (note 1)	Personal	36,632,000	4.93%
	Family interest	5,152,000	0.69%
Yu Wen Ping (note 1)	Personal	5,152,000	0.69%
	Family interest	36,632,000	4.93%

Note:

1. Yu Wen Ping, the spouse of Yang Yong Sheng, was deemed to be interested in all the interest of Yang Yong Sheng and vice versa.

Directors' Interests in Contracts

Save as disclosed in note 31 to the consolidated financial statements, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Rights to Acquire Shares Or Debentures

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

Continuing Connected Transactions

Exempted Continuing Connected Transactions

Trademark Licence Agreement

On 16 February 2009, the Company has entered into the Trademark Licence Agreement (the "Trademark Agreement") with Mr. Liu Tien-tsai ("Mr. Liu"). Pursuant to the Trademark Agreement, Mr. Liu has agreed to grant to the Group on an exclusive basis, a licence to use a number of trademarks and service marks in connection with the Group's funeral services business at a consideration of HK$1,000 per year.

Signing of Deed of Trust

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

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

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

Mr. Liu signed a confirmation letter agreeing the licensee, Xibao Funeral, a subsidiary of the Company, to lawfully use the property situated at Unit 1404 on Level 14, Zhongxing Garden, No. 1 Heping Road, Chongqing City, the PRC (the "Licensed Property") as the registered office without the payment of rent or licence fee. The signed confirmation from Mr. Liu authorizing Xibao Technology to use the Licensed Property as its registered office does not limit Mr. Liu's personal use, rental and mortgage of the Licensed Property. There was no revenue or profit contributed by the Licensed Property during the year as there had been no occupancy of the Licenced Property during the year.

The property licensing arrangement with Mr. Liu will last until 30 January 2052.

All the transactions fall within Rule 20.33(3) of the GEM Listing Rules and each constitutes a *de minimis* continuing connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, the related party transactions are set out in note 31 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

Purchase, Sale and Redemption of the Shares

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

Management Contracts

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

Directors' Interest in a Competing Business

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

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 December 2011 are set out in note 23 to the consolidated financial statements.

Retirement Schemes

Particulars of the retirement schemes of the Group are set out in note 14 to the consolidated financial statements.

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the independent non-executive Directors are independent.

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct from the date of listing of the Company's Shares on the Stock Exchange up to 31 December 2011.

Share Option Scheme

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

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

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

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

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

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

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

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

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

Details of the share options granted and remaining outstanding as at 31 December 2011 are as follows:

	Date of grant	Exercise price	Exercisable period	Option held at 1 January 2011	Options lapsed during the year	Options held at 31 December 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	–	1,600,000
Continuous contract employees	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	10,936,000	(100,000)	10,836,000
Consultants	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	40,300,000	–	40,300,000
				52,836,000	(100,000)	52,736,000

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 December 2011, 2,984,000 of 52,736,000 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 52,736,000 options are exercisable over five years from the date of grant, with 20% each of the options granted exercisable at six months and first calendar date following four years from the date of grant.

Save as disclosed above, as at 31 December 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.

Sufficiency of Public Float

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

Pre-Emptive Rights

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

Corporate Governance

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

The Group's compliance with the code provisions is set out in the Corporate Governance Report from page 12 to page 15 of this annual report.

Interests of the Compliance Adviser

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

Auditors

CCIF CPA Limited has acted as auditors of the Company for the year ended 31 December 2011.

CCIF CPA Limited shall retire in the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Liu Tien-Tsai
Chairman and
Executive Director

Hong Kong, 22 March 2012

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

Independent Auditor's Report to the Shareholders of Sino-life Group Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino-Life Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 31 to 104, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 22 March 2012
Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 *RMB'000*
Turnover	4(a)	**72,521**	67,600
Cost of sales		**(26,957)**	(17,237)
Gross profit		**45,564**	50,363
Other revenue	5	**3,482**	6,319
Other net (loss)/gain	5	**(3,005)**	2,691
Selling expenses		**(26,672)**	(19,149)
Administrative expenses		**(43,141)**	(33,116)
Other operating expenses		**(3,890)**	(1,457)
(Loss)/profit from operations		**(27,662)**	5,651
Finance costs	6(a)	**(285)**	(296)
(Loss)/profit before taxation	6	**(27,947)**	5,355
Income tax	7	**(1,769)**	(4,435)
(Loss)/profit for the year		**(29,716)**	920
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)	10		
(Deficit)/surplus on revaluation of land and buildings held for own use		**(1,269)**	905
Exchange differences arising on translation		**(10,570)**	(3,225)
Other comprehensive loss for the year		**(11,839)**	(2,320)
Total comprehensive loss for the year, net of tax		**(41,555)**	(1,400)
(Loss)/profit attributable to:			
Owners of the Company	11	**(30,079)**	1,105
Non-controlling interests		**363**	(185)
		(29,716)	920
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(41,893)**	(1,167)
Non-controlling interests		**338**	(233)
		(41,555)	(1,400)
(Loss)/earnings per share	12		
Basic and diluted		**RMB(4.05) cents**	RMB0.16 cents

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**43,544**	46,491
Intangible assets	16	**2**	4
Deposit for acquisition of property		**6,231**	–
Deposits for hire of funeral parlours and funeral services centres	19	**7,250**	7,000
		57,027	53,495
CURRENT ASSETS			
Inventories	18	**9,072**	683
Trade and other receivables	19	**72,528**	79,037
Financial assets designated as at fair value through profit or loss	17	**38,971**	44,573
Tax recoverable	26	**393**	–
Cash and cash equivalents	20	**194,171**	242,713
		315,135	367,006
CURRENT LIABILITIES			
Trade and other payables	21	**14,854**	5,913
Receipts in advance	22	**108,410**	125,052
Current portion of bank borrowings	23	**594**	731
Current portion of other loans	24	**194**	303
Current portion of obligation under finance lease	25	**9**	9
Current taxation	26	**1,146**	1,770
		(125,207)	(133,778)
NET CURRENT ASSETS		**189,928**	233,228
TOTAL ASSETS LESS CURRENT LIABILITIES		**246,955**	286,723
NON-CURRENT LIABILITIES			
Bank borrowings	23	**9,750**	11,164
Other loans	24	**313**	2,176
Obligation under finance lease	25	**–**	9
		(10,063)	(13,349)
NET ASSETS		**236,892**	273,374
EQUITY			
Equity attributable to owners of the Company	27		
Share capital		**69,218**	69,218
Reserves		**164,621**	204,370
		233,839	273,588
Non-controlling interests		**3,053**	(214)
TOTAL EQUITY		**236,892**	273,374

Approved and authorised for issue by the board of directors on 22 March 2012.

Liu Tien-Tsai
Chairman

Kim Eun Back
Executive Director

The notes on pages 37 to 104 form part of these financial statements.

Statement of Financial Position

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**169**	–
Investments in subsidiaries	36	**35,344**	42,830
Intangible assets	16	**2**	3
		35,515	42,833
CURRENT ASSETS			
Other receivables	19	**121,340**	88,303
Cash and cash equivalents	20	**97,926**	150,430
		219,266	238,733
CURRENT LIABILITIES			
Other payables	21	**(6,567)**	(5,965)
NET CURRENT ASSETS		**212,699**	232,768
NET ASSETS		**248,214**	275,601
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**69,218**	69,218
Reserves	28	**178,996**	206,383
TOTAL EQUITY		**248,214**	275,601

Approved and authorised for issue by the board of directors on 22 March 2012.

Liu Tien-Tsai
Chairman

Kim Eun Back
Executive Director

The notes on pages 37 to 104 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	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	58,706	82,204	(16,261)	225	838	851	1,947	–	(6,900)	121,610	–	121,610
Profit for the year	–	–	–	–	–	–	–	–	1,105	1,105	(185)	920
Surplus on revaluation of land and buildings held for own use	–	–	–	–	–	905	–	–	–	905	–	905
Exchange differences arising on translation	–	–	–	–	–	–	(3,177)	–	–	(3,177)	(48)	(3,225)
Total other comprehensive income/(loss)	–	–	–	–	–	905	(3,177)	–	–	(2,272)	(48)	(2,320)
Total comprehensive income/(loss) for the year	–	–	–	–	–	905	(3,177)	–	1,105	(1,167)	(233)	(1,400)
Shares issued upon placing of new shares (note 27(a))	10,512	147,241	–	–	–	–	–	–	–	157,753	–	157,753
Transaction costs attributable to shares issued upon placing of new shares	–	(8,812)	–	–	–	–	–	–	–	(8,812)	–	(8,812)
Equity-settled share-based transactions	–	–	–	–	–	–	–	4,204	–	4,204	–	4,204
Capital contribution received by a non-wholly owned subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	–	–	19	19
Profit appropriation to reserve	–	–	–	–	712	–	–	–	(712)	–	–	–
At 31 December 2010	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**1,756**	**(1,230)**	**4,204**	**(6,507)**	**273,588**	**(214)**	**273,374**
At 1 January 2011	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**1,756**	**(1,230)**	**4,204**	**(6,507)**	**273,588**	**(214)**	**273,374**
Loss for the year	–	–	–	–	–	–	–	–	**(30,079)**	**(30,079)**	**363**	**(29,716)**
Deficit on revaluation of land and buildings held for own use	–	–	–	–	–	**(1,269)**	–	–	–	**(1,269)**	–	**(1,269)**
Exchange differences arising on translation	–	–	–	–	–	–	**(10,545)**	–	–	**(10,545)**	**(25)**	**(10,570)**
Total other comprehensive loss	–	–	–	–	–	**(1,269)**	**(10,545)**	–	–	**(11,814)**	**(25)**	**(11,839)**
Total comprehensive loss for the year	–	–	–	–	–	**(1,269)**	**(10,545)**	–	**(30,079)**	**(41,893)**	**338**	**(41,555)**
Equity-settled share-based transactions	–	–	–	–	–	–	–	**2,144**	–	**2,144**	–	**2,144**
Lapse of share options granted	–	–	–	–	–	–	–	**(9)**	**9**	–	–	–
Non-controlling interests arising on the acquisition of subsidiaries (note 30)	–	–	–	–	–	–	–	–	–	–	**2,931**	**2,931**
Decrease in non-controlling interests arising on acquisition of interests in a non-wholly owned subsidiary (note 36(iii))	–	–	–	–	–	–	–	–	–	–	**(2)**	**(2)**
At 31 December 2011	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**487**	**(11,775)**	**6,339**	**(36,577)**	**233,839**	**3,053**	**236,892**

The notes on pages 37 to 104 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(27,947)**	5,355
Adjustments for:			
Amortisation of intangible assets		**2**	2
Impairment loss on prepayments and other receivable		**3,670**	–
Finance costs		**285**	296
Surplus on revaluation of land and buildings held for own use		**(391)**	(517)
Depreciation		**4,188**	2,085
Derecognition of property, plant and equipment		**–**	1,126
Derecogntion of inventories		**–**	107
Dividend income		**(346)**	–
Interest income		**(2,948)**	(1,806)
Net realised and unrealised loss/(gain) on financial assets designated as at fair value through profit or loss		**1,626**	(1,356)
Net realised loss/(gain) on trading securities		**1,492**	(1,221)
Foreign exchange loss		**985**	535
Equity-settled share-based payment expenses		**2,144**	4,204
		10,707	3,455
CHANGES IN WORKING CAPITAL		**(17,240)**	8,810
Increase in inventories		**(8,389)**	(548)
Decrease/(increase) in trade and other receivables		**5,189**	(16,089)
Decrease in financial assets designated as at fair value through profit or loss		**3,976**	1,876
Increase in trade and other payables		**6,196**	2,263
Decrease in receipt in advance		**(16,642)**	(945)
		(9,670)	(13,443)
CASH USED IN OPERATIONS		**(26,910)**	(4,633)
Income taxes paid			
Taiwan		**(481)**	(2,879)
The People's Republic of China ("PRC")		**(2,345)**	(1,756)
		(2,826)	(4,635)
NET CASH USED IN OPERATING ACTIVITIES		**(29,736)**	(9,268)
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		**(4,331)**	(8,043)
Payment for deposit for acquisition of property		**(6,231)**	–
Proceeds from disposal of property, plant and equipment		**–**	15
Net cash inflow on acquisition of subsidiaries		**2,786**	–
Payment for the purchase of trading securities		**(505,086)**	(188,921)
Proceeds from disposal of trading securities		**503,496**	191,242
Dividends received from listed securities		**346**	–
Increase/(decrease) in fixed deposits		**–**	67,467
Interest received		**2,948**	1,806
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(6,072)**	63,566

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES			
Capital element of finance lease rentals paid		**(8)**	(18)
Interest element of finance lease rentals paid		**(2)**	(1)
Repayment of bank borrowings		**(622)**	(1,376)
Interest on bank borrowings		**(223)**	(205)
Repayment of other loans		**(1,874)**	(270)
Interest on other loans		**(60)**	(90)
Payment for acquisition of additional interests in non-wholly owned subsidiary		**(2)**	–
Proceeds from shares issued upon placing of shares		**–**	157,753
Expenses incurred in connection with the issue of shares		**–**	(8,812)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(2,791)**	146,981
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(38,599)**	201,279
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**242,713**	44,428
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**(9,943)**	(2,994)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**194,171**	242,713
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank and on hand	20	**194,171**	242,713

The notes on pages 37 to 104 form part of these financial statements.

1. General Information

Sino-Life Group Limited (the "Company") was incorporated on 24 February 2005 in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 September 2009.

The Company is principally engaged in investment holding. The subsidiaries are mainly engaged in the provision of funeral services and trading of raw marble in Taiwan, Hong Kong and the People's Republic of China (the "PRC"). The Company and its subsidiaries are herein collectively referred to as the "Group". The address of the Company's registered office and principal place of business are Marquee Place, Suite 300, 430 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands and Room 1806, 18th Floor, Dominion Centre, 43-59 Queen's Road East, Hong Kong respectively.

2. Significant Accounting Policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries.

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 was originally Hong Kong dollars ("HK$"). On 1 January 2011, the board of directors determined that the functional currency was changed from HK$ to United States dollars ("US$"), including but not limited to the facts that substantial amount of assets, mainly the cash and bank balances and the investments of the Company were denominated in US$. The effect of a change in functional currency is accounted for prospectively from the date of change in functional currency. The functional currency of its subsidiaries are Renminbi ("RMB"), New Taiwan dollars ("NTD") and HK$ respectively. The consolidated financial statements are presented in RMB, rounded to the nearest thousand, except when otherwise indicated, which is different from the functional currency of the Company as majority of the Group's transactions are denominated in RMB.

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

– freehold land and buildings (see note 2(e)); and

– financial assets designated as at fair value through profit or loss (see note 2(g)).

2. Significant Accounting Policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

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

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

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

(c) Business combination

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

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

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

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

2. Significant Accounting Policies (Continued)

(c) Business combination (Continued)

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

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

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

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

2. Significant Accounting Policies (Continued)

(d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards). Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's ownership interests in existing subsidiaries

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

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

In the Company's statement of financial position, investment in the subsidiaries are stated at cost less impairment losses (see note 2(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. Significant Accounting Policies (Continued)

(e) Property, plant and equipment

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

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

The other property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(n)).

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

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

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

Construction in progress is stated at cost which includes all development expenditure and other direct costs, including borrowing cost capitalised, attributable to such construction. They are not depreciated until completion of construction and the asset is put into use. Cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

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

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

– freehold land is not depreciated;

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

– other property, plant and equipment are depreciated on a straight line method over their estimated useful lives as follows:

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

2. Significant Accounting Policies (Continued)

(e) Property, plant and equipment (Continued)

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(f) Leased assets

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

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(n). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

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

2. Significant Accounting Policies (Continued)

(g) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

2. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gain or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 29.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the equity. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

2. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeaurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 29.

Other financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

2. Significant Accounting Policies (Continued)

(g) Financial instruments (Continued)

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

(h) Intangible assets

Intangible assets represent trademark license acquired separately and with finite useful lives ranging from five to ten years and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

2. Significant Accounting Policies (Continued)

(i) Inventories

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

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

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

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

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(n)).

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

2. Significant Accounting Policies (Continued)

(n) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

- For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(ii). The impairment loss is reversed if there has been a favourbale change in the estimates used to determine the recoverable amount in accordance with note 2(n)(ii).
- For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

2. Significant Accounting Policies (Continued)

(n) Impairment of assets (Continued)

(ii) Impairment of other assets

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

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

– intangible assets.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

2. Significant Accounting Policies (Continued)

(n) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, every three months. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(n)(i) and (ii)).

(o) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Share-based payments

(i) Share options granted to employees

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

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

(ii) Share options granted to consultants

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

2. Significant Accounting Policies (Continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

2. Significant Accounting Policies (Continued)

(q) Income tax (Continued)

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

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant Accounting Policies (Continued)

(s) Revenue recognition

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

(i) Provision of services

Revenue from the provision of cremation services, funeral arrangement services and funeral services in funeral parlours and funeral service centres under the Group's management is recognised when the services are rendered.

(ii) Sale of goods

Revenue is recognised when goods are delivered to the customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Rental income from operating leases

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

(iv) Interest income

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

(v) Commission income

Commission income represents the income received or receivable from referring of cubicles and spaces for urn storage in columbarium and referring of cemetery for customers.

Commission income is recognised when the final customers accepted the goods and the related risks and rewards of ownership.

(vi) Dividend income

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(t) Translation of foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

2. Significant Accounting Policies (Continued)

(t) Translation of foreign currencies (Continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using the exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(u) Borrowing costs

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

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

2. Significant Accounting Policies (Continued)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (as revised in 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a goverment-related entity.

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 Financial instruments: Disclosures. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

4. Turnover and Segment Information

(a) Turnover

Turnover represents the net amounts received and receivable for the services rendered to customers and goods sold to customers. The amount of each significant category of revenue recognised in turnover for the year is as follows:

	2011 RMB'000	2010 RMB'000
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**38,981**	40,415
Cremation services	**10,658**	11,486
Funeral arrangement services	**6,101**	12,530
Cemetery services	**2,486**	3,169
Trading of raw marble	**14,295**	–
	72,521	67,600

4. Turnover and Segment Information (Continued)

(b) Segment information

During 2010, the Group had one reportable segment of funeral services only. However, with the acquisition of Jing Run Limited in 2011 and the change of structure of the Group, the Group has more than one reportable segments in 2011 and hence the comparatives have been restated.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Company's executive directors (the "Executive Directors"), being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) *Funeral services – Taiwan*

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

(ii) *Funeral services – Hong Kong*

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

(iii) *Funeral services – the PRC*

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

(iv) *Trading of raw marble*

– Trading of raw marble in Taiwan and the PRC.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Executive Directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Segment results, assets and liabilities (Continued)

Segment results represent the profit/(loss) earned/(suffered) by each segment without allocation of other revenue and other net (loss)/gain, central administration costs, finance costs and income tax. This is the measure reported to the Executive Directors for the purposes of resources allocation and assessment of segment performance.

In addition to receiving segment information concerning segment results, the Executive Directors are provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses, income tax expense and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Executive Directors for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2011 and 2010 is set out below:

	Year ended 31 December 2011				
	Funeral services			Trading of raw marble	Total
	Taiwan RMB'000	Hong Kong RMB'000	PRC RMB'000	RMB'000	RMB'000
Reportable segment revenue	5,887	214	52,125	14,295	72,521
Reportable segment (loss)/profit	(572)	(3,881)	(10,226)	1,019	(13,660)
Interest income	3	–	12	2	17
Interest expense	260	1	–	–	261
Depreciation and amortisation for the year	223	344	3,475	61	4,103
Impairment of prepayment and other receivable	–	–	3,670	–	3,670
Income tax expense	664	–	1,105	–	1,769
Additions to non-current segment assets during the year	396	55	10,805	728	11,984
Reportable segment assets	192,568	1,087	59,916	15,204	268,775
Reportable segment liabilities	119,945	183	5,839	7,758	133,725

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Segment results, assets and liabilities (Continued)

	Year ended 31 December 2010 (Restated)				
		Funeral services		Trading of raw marble	Total
	Taiwan	Hong Kong	PRC		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue	12,530	–	55,070	–	67,600
Reportable segment profit	4,047	–	7,856	–	11,903
Interest income	5	–	26	–	31
Interest expense	296	–	–	–	296
Depreciation and amortisation for the year	197	–	1,830	–	2,027
Loss on derecognition of assets	–	–	1,233	–	1,233
Income tax expense	910	–	3,525	–	4,435
Additions to non-current segment assets during the year	178	–	10,229	–	10,407
Reportable segment assets	199,291	–	63,242	–	262,533
Reportable segment liabilities	139,493	–	6,347	–	145,840

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

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets, liabilities and other items

	2011 RMB'000	2010 RMB'000 (Restated)
Revenue		
Total reportable segment revenue and consolidated turnover	**72,521**	67,600
Profit or loss		
Reportable segment (loss)/profit derived from Group's external customers	**(13,660)**	11,903
Other revenue	**3,482**	6,319
Other net (loss)/gain	**(3,005)**	2,691
Depreciation and amortisation	**(87)**	(60)
Finance costs	**(285)**	(296)
Unallocated head office and corporate expenses	**(14,392)**	(15,202)
Consolidated (loss)/profit before taxation	**(27,947)**	5,355
Assets		
Total reportable segment assets	**268,775**	262,533
Unallocated head office and corporate assets		
– Cash and cash equivalents	**98,916**	152,258
– Others	**4,471**	5,710
Consolidated total assets	**372,162**	420,501
Liabilities		
Total reportable segment liabilities	**133,725**	145,840
Unallocated head office and corporate liabilities	**1,545**	1,287
Consolidated total liabilities	**135,270**	147,127

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets, liabilities and other items

	2011 RMB'000	2010 RMB'000 (Restated)
Other items		
Interest income		
Reportable segment total	**17**	31
Unallocated head office and corporate total	**2,931**	1,775
Consolidated total	**2,948**	1,806
Interest expense		
Reportable segment total	**261**	296
Unallocated head office and corporate total	**24**	–
Consolidated total	**285**	296
Depreciation and amortisation		
Reportable segment total	**4,103**	2,027
Unallocated head office and corporate total	**87**	60
Consolidated total	**4,190**	2,087
Additions to non-current segment assets during the year		
Reportable segment total	**11,984**	10,407
Unallocated head office and corporate total	**576**	1,136
Consolidated total	**12,560**	11,543

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets as specified below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, intangible assets, deposit for acquisition of property and deposits for hire of funeral parlours and funeral services centres. The geographical locations of property, plant and equipment, deposit for acquisition of property and deposits for hire of funeral parlours and funeral services centres are based on the physical location of the assets under consideration. In the case of intangible assets, it is based on the location of the operation to which these intangible assets are allocated.

	Revenue from external customers		Non-current assets	
	2011 RMB'000	2010 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000 (Restated)
The PRC (place of domicile)	**56,607**	55,070	**28,792**	22,256
Taiwan	**15,700**	12,530	**26,984**	30,145
Hong Kong	**214**	–	**1,251**	1,094
	15,914	12,530	**28,235**	31,239
	72,521	67,600	**57,027**	53,495

4. Turnover and Segment Information (Continued)

(b) Segment information (Continued)

Revenue from major products and services

	2011 **RMB'000**	2010 RMB'000
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**38,981**	40,415
Cremation services	**10,658**	11,486
Funeral arrangement services	**6,101**	12,530
Cemetery services	**2,486**	3,169
Trading of raw marble	**14,295**	–
	72,521	67,600

Information about major customers

For the years ended 31 December 2011 and 2010, revenue from any single external customer does not amount to 10% or more of the Group's revenue.

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

	2011 **RMB'000**	2010 RMB'000
Other revenue		
Interest income on bank deposits	**18**	1,006
Interest income on coupon bonds	**2,930**	800
Total interest income on financial assets not at fair value through profit or loss	**2,948**	1,806
Commission income	**14**	4,335
Dividend income	**346**	–
Sundry income	**174**	178
	3,482	6,319
Other net (loss)/gain		
Surplus on revaluation of land and buildings held for own use	**391**	517
Net exchange loss	**(985)**	(535)
Net gain on terminated and lapsed funeral services deeds	**707**	132
Net realised (loss)/gain on trading securities	**(1,492)**	1,221
Net realised and unrealised (loss)/gain on financial assets designated as at FVTPL	**(1,626)**	1,356
	(3,005)	2,691
	477	9,010

6. (Loss)/Profit Before Taxation

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

		2011 RMB'000	2010 RMB'000
(a)	**Finance costs**		
	Interests on bank borrowings and other loans		
	– wholly repayable within 5 years	**83**	76
	– not wholly repayable within 5 years	**200**	219
	Finance charges on obligation under finance lease	**2**	1
	Total interest expenses on financial liabilities not at FVTPL	**285**	296
(b)	**Staff costs (including directors' remunerations)**		
	Salaries, wages and other benefits	**18,521**	13,758
	Equity-settled share-based payment expenses	**520**	982
	Contributions to defined contribution retirement plans	**1,709**	1,267
		20,750	16,007
(c)	**Other items**		
	Amortisation of intangible assets	**2**	2
	Auditors' remuneration	**1,146**	1,285
	Cost of inventories	**20,486**	8,632
	Depreciation		
	– assets held for own use under finance lease	**4**	1
	– other assets	**4,184**	2,084
	Operating lease charges: minimum lease payments		
	– rented premises	**1,349**	464
	Less: sub-leasing rental income	**–**	(30)
	– hire of plant and equipment	**357**	333
	Less: sub-leasing rental income	**–**	(35)
	– hire of funeral parlours and funeral service centres	**13,894**	14,096
	Impairment loss for prepayments (note (i))	**3,500**	–
	Impairment loss for other receivables	**170**	–
	Loss on derecognition of assets (note (ii))	**–**	1,233
	Equity-settled share-based payment expenses	**1,624**	3,222

Notes:

(i) On 13 January 2009, a letter of intent was entered into between Chongqing Xibao Funeral Technology Co. Limited ("Xibao Technology"), an indirect wholly-owned subsidiary of the Company, and a company providing funeral services in Chongqing (the "Chongqing Company") concerning the management of a funeral parlour ("Letter of Intent"). Pursuant to the Letter of Intent, the duration for the management of the funeral parlour is ten years from 1 August 2009 to 31 July 2019. The annual management fee of RMB3,500,000 was paid by Xibao Technology in advance in 2009. During the period from 2009 to 2011, the Group was advised by the Chongqing Company that due to the change of shareholder's structure of the Chongqing Company was under process, the formal management agreement concerning the management of the funeral parlour cannot be entered into between the Chongqing Company and Xibao Technology. The Group conducted discussions with the Chongqing Company regarding the status of change of ownership of the Chongqing Company and was advised that the status remain unchanged. Due to the change of shareholder's structure of the Chongqing Company leading to the uncertainties on the execution of the project and recoverability of the prepayment, impairment loss of RMB3,500,000 is therefore recognised which is included in "other operating expenses" in the consolidated statement of comprehensive income.

6. (Loss)/Profit Before Taxation (Continued)

Notes: (Continued)

(ii) This arised from the derecognition of property, plant and equipment and inventories with carrying amounts of RMB1,126,000 and RMB107,000 respectively located in Chongqing Tian Fu Funeral Service Centre ("Tian Fu") for the year ended 31 December 2010.

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

On 5 December 2010, the Tian Fu Owner took over the control of Tian Fu and the management of Tian Fu by Xibao Technology has been suspended from then on. Xibao Technology conducted discussions and negotiations with the Tian Fu Owner regarding the contents and actual operation of the Tian Fu Management Agreements. The Tian Fu Owner refunded RMB1,500,000 for the year ended 31 December 2011 to Xibao Technology as partial settlement of the prepaid deposit and unutilised rental prepayment.

7. Income Tax in the Consolidated Statement of Comprehensive Income

	2011	2010
	RMB'000	RMB'000
Provision of current tax for the year		
– PRC Enterprise Income Tax (note (c))	**1,105**	2,932
– Taiwan Enterprise Income Tax (note (d))	**63**	910
	1,168	3,842
Under-provision of current tax in prior years		
– PRC Enterprise Income Tax	**–**	593
– Taiwan Enterprise Income Tax	**601**	–
	601	593
	1,769	4,435

Notes:

(a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2011 (2010: RMBNil).

(b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands for the year ended 31 December 2011 (2010: RMBNil).

(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）.

7. Income Tax in the Consolidated Statement of Comprehensive Income (Continued)

Notes: (Continued)

(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., ("Bau De")an indirect subsidiary of the Company, as the subsidiary sustained losses for the year ended 31 December 2011 (2010: RMBNil).

(e) Reconciliation between tax expense and accounting (loss)/profit at applicable rates:

	2011 **RMB'000**	2010 RMB'000
(Loss)/profit before taxation	**(27,947)**	5,355
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profits in the tax jurisdictions concerned	**(5,668)**	1,737
Tax effect of non-deductible expenses	**3,609**	308
Tax effect of non-taxable income	**(156)**	(491)
Tax effect of unused tax losses not recognised	**1,563**	2,078
Under-provision in prior years	**601**	593
Others	**1,820**	210
Actual tax expense	**1,769**	4,435

8. Directors' Remuneration

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

2011

Name of directors	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Sub-total RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors							
Mr. Liu Tien-Tsai	996	589	55	–	1,640	–	1,640
Mr. Kim Eun Back	199	369	–	–	568	–	568
Non-executive directors							
Mr. Niu Tse-Cheng	83	–	–	–	83	–	83
Mr. Zheng Yimin	83	115	–	–	198	–	198
Independent non-executive directors							
Mr. Chai Chung Wai	58	–	–	–	58	–	58
Mr. Ching Clement Yat-biu	58	–	–	–	58	–	58
Mr. Lam Ying Hung Andy	100	–	–	–	100	–	100
Mr. Luo Xuegang	58	–	–	–	58	–	58
	1,635	1,073	55	–	2,763	–	2,763

2010

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

No directors of the Company had waived any emoluments and no emoluments was paid or payable by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2011 and 2010.

9. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, two (2010: two) were directors of the Company whose emoluments are disclosed in note 8. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011 RMB'000	2010 RMB'000
Salaries and allowances	**906**	876
Discretionary bonuses	**36**	259
Equity-settled share-based payment	**83**	663
Contributions to retirement benefit scheme	**10**	14
	1,035	1,812

The emoluments of the remaining three (2010: three) individuals with the highest emoluments are within the following band:

	2011	2010
Nil to HK$1,000,000 (equivalent to RMB868,000)	**3**	3

No emoluments were paid by the Group to any of the three (2010: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2011 and 2010.

10. Other Comprehensive Loss

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

		2011			2010	
	Before-tax amount RMB'000	**Tax (expense)/ benefit RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
(Deficit)/surplus on revaluation of land and buildings held for own use	**(1,269)**	**–**	**(1,269)**	905	–	905
Exchange differences arising on translation	**(10,570)**	**–**	**(10,570)**	(3,225)	–	(3,225)
Other comprehensive loss	**(11,839)**	**–**	**(11,839)**	(2,320)	–	(2,320)

11. (Loss)/Profit attributable to owners of the Company

The consolidated (loss)/profit attributable to owners of the Company includes a loss of approximately RMB8,805,000 (2010: RMB7,193,000) which has been dealt with in the financial statements of the Company.

12. (Loss)/Earnings per Share

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB30,079,000 (2010: profit of approximately RMB1,105,000) and the weighted average of 742,500,000 ordinary shares (2010: 704,034,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011 **'000**	2010 '000
Issued ordinary shares at 1 January	**742,500**	622,500
Effect of shares issued under placing	**–**	81,534
Weighted average number of ordinary shares at 31 December	**742,500**	704,034
(Loss)/earnings per share (RMB cent per share)	**(4.05)**	0.16

(b) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2011 and 2010, and therefore, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

13. Dividends

The directors do not recommend payment of any dividend for the year ended 31 December 2011 (2010: RMBNil).

14. Retirement benefits schemes

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement benefit scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries are required to make contributions prior to vesting to the scheme based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and are charged to the consolidated statement of comprehensive income as incurred.

The Group is also required to participate in defined contribution retirement benefit scheme administered and operated by Bureau of Labour Insurance of Taiwan for employees employed in Taiwan. Under the scheme, the employers are required to make contributions to the scheme at 6% of the employees' relevant income. Contributions to the schemes vest immediately.

14. Retirement benefits schemes (Continued)

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan managed by independent trustees. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the MPF Scheme at 5% of the employees' earning as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary. Contributions to the plan vest immediately.

Law of the PRC on Employment Contracts (the "Employment Contract Law") was adopted by the Standing Committee of the National People's Congress of the PRC in 2007 and became effective on 1 January 2008. Compliance with the requirements under the Employment Contract Law, in particular, the requirement of severance payment and non-fixed term employment contracts, will increase the Group's labour costs.

Pursuant to the Employment Contract Law, the PRC subsidiaries are required to enter into non-fixed term employment contract with employees who has worked for the employer for more than 10 years or for whom a fixed term employment has been concluded for 2 consecutive terms. The employer is required to make severance payment to the employee when the term of the employment contract expires unless the employee voluntarily terminate the contract or voluntarily reject the offer to renew the contract in which the terms are no worse off than the terms of other employment contracts available to him/her. The severance payment will be equal to the monthly wages times the number of full years that the employee has been working for the employer. The minimum wages requirement has also been imposed. Fines will be imposed for any breach of the Employment Contract Law.

The Group has no other material obligation for the payment of retirement benefits associated with the MPF Schemes beyond the contribution described above.

15. Property, Plant and Equipment

(a) The Group

	Freehold land held for own use carried at fair value RMB'000	Buildings held for own use carried at fair value RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2010	19,527	7,531	5,364	1,352	1,497	5,738	41,009
Effect of foreign currency exchange differences	1,317	543	(28)	32	8	–	1,872
Additions	–	–	960	639	803	5,641	8,043
Transfers	–	–	17	–	–	(17)	–
Disposals	–	–	–	–	(40)	–	(40)
Derecognition (note 6(i))	–	–	(1,106)	(94)	(240)	(630)	(2,070)
Surplus on revaluation	656	490	–	–	–	–	1,146
Less: Elimination of accumulated depreciation	–	(229)	–	–	–	–	(229)
At 31 December 2010	21,500	8,335	5,207	1,929	2,028	10,732	49,731
Representing:							
Cost	–	–	5,207	1,929	2,028	10,732	19,896
Valuation – 2010	21,500	8,335	–	–	–	–	29,835
	21,500	8,335	5,207	1,929	2,028	10,732	49,731
At 1 January 2011	21,500	8,335	5,207	1,929	2,028	10,732	49,731
Effect of foreign currency exchange differences	(1,759)	(683)	(41)	(61)	(20)	–	(2,564)
Additions	317	79	38	939	1,019	1,939	4,331
Acquisition of subsidiaries	–	–	–	–	290	–	290
Transfers	–	–	4,149	1,553	912	(6,614)	–
Deficit on revaluation	(568)	(310)	–	–	–	–	(878)
Less: Elimination of accumulated depreciation	–	(174)	–	–	–	–	(174)
At 31 December 2011	19,490	7,247	9,353	4,360	4,229	6,057	50,736
Representing:							
Cost	–	–	9,353	4,360	4,229	6,057	23,999
Valuation – 2011	19,490	7,247	–	–	–	–	26,737
	19,490	7,247	9,353	4,360	4,229	6,057	50,736
Accumulated depreciation and impairment loss							
At 1 January 2010	–	–	979	705	418	166	2,268
Effect of foreign currency exchange differences	–	60	(4)	28	1	–	85
Charge for the year	–	169	1,305	253	358	–	2,085
Written back on disposals	–	–	–	–	(25)	–	(25)
Derecognition (note 6(i))	–	–	(748)	(67)	(129)	–	(944)
Elimination on revaluation	–	(229)	–	–	–	–	(229)
At 31 December 2010 and 1 January 2011	–	–	1,532	919	623	166	3,240
Effect of foreign currency exchange differences	–	(10)	(11)	(37)	(4)	–	(62)
Charge for the year	–	184	2,670	650	684	–	4,188
Elimination on revaluation	–	(174)	–	–	–	–	(174)
At 31 December 2011	–	–	4,191	1,532	1,303	166	7,192
Carrying amount							
At 31 December 2011	19,490	7,247	5,162	2,828	2,926	5,891	43,544
At 31 December 2010	21,500	8,335	3,675	1,010	1,405	10,566	46,491

15. Property, Plant and Equipment (Continued)

(b) The Company

	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
At 1 January 2010, 31 December 2010 and 1 January 2011	–	–	–	–
Effect of foreign currency exchange differences	–	(2)	(4)	(6)
Additions	10	75	136	221
At 31 December 2011	10	73	132	215
Accumulated depreciation and impairment loss				
At 1 January 2010, 31 December 2010 and 1 January 2011	–	–	–	–
Effect of foreign currency exchange differences	–	(1)	–	(1)
Charge for the year	5	30	12	47
At 31 December 2011	5	29	12	46
Carrying amount				
At 31 December 2011	5	44	120	169
At 31 December 2010	–	–	–	–

(c) The freehold land and buildings held by the Group for own use were revalued as at 31 December 2011 at their open market value by reference to recent market transactions for similar properties. The valuations were carried out by Roma Appraisals Limited, an independent firm of chartered surveyors with recent experience in the location and category of properties being valued.

The revaluation deficit of RMB1,269,000 (2010: surplus of RMB905,000) and surplus of RMB391,000 (2010: RMB517,000) have been recognised in other comprehensive (loss)/income and accumulated in properties revaluation reserve and (loss)/profit for the year respectively.

Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been:

	The Group	
	2011 RMB'000	2010 RMB'000
Freehold land	**19,797**	21,216
Buildings	**4,668**	6,135
	24,465	27,351

15. Property, Plant and Equipment (Continued)

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

	The Group	
	2011	2010
	RMB'000	RMB'000
In Taiwan		
Freehold land	**19,490**	21,500
Buildings	**7,247**	8,335
	26,737	29,835

(e) During the year, additions to furniture, fixtures and office equipment of the Group financed by new finance lease were RMBNil (2010: RMB19,000). As at 31 December 2011, the carrying amount of the furniture, fixtures and office equipment held under a finance lease is approximately RMB14,000 (2010: RMB18,000).

(f) The carrying amount of freehold land and buildings pledged as security for the Group's bank borrowings and other loans were approximately RMB20,116,000 as at 31 December 2011 (2010: RMB27,983,000) (notes 23 and 24). In addition, as at 31 December 2011, the carrying amount of freehold land of RMB1,697,000 (2010: RMB1,746,000) was pledged as security for the Group's bank borrowings in prior years and not yet released up to the year end date.

(g) During the year, one of the Group's freehold land was held under trust arrangement. As at 31 December 2011, the carrying amount of the freehold land held under the trust arrangement was approximately RMB3,525,000 (2010: RMB3,646,000).

16. Intangible Assets

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trademark licence				
Cost:				
At 1 January	**19**	19	**5**	5
Additions	**–**	–	**–**	–
At 31 December	**19**	19	**5**	5
Accumulated amortisation:				
At 1 January	**15**	13	**2**	1
Charge for the year	**2**	2	**1**	1
At 31 December	**17**	15	**3**	2
Carrying amount:				
At 31 December	**2**	4	**2**	3

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

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Mutual funds/unit trusts at fair value		
Established outside Hong Kong	**38,971**	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 entered into after 31 July 2003 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 net loss of approximately RMB1,626,000 for the year ended 31 December 2011 (2010: gain of approximately RMB1,356,000). Changes in fair values of the above financial assets are recorded in "other net (loss)/gain" in the consolidated statement of comprehensive income.

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

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

18. Inventories

	The Group	
	2011	2010
	RMB'000	RMB'000
Merchandises for resale	**9,072**	683

The carrying amount of inventories sold recognised as expense and included in "cost of sales" amounted to RMB20,486,000 in 2011 (2010: RMB8,632,000).

19. Trade and Other Receivables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note (c))	**3,682**	–	**–**	–
Less: allowance for impairment loss	**–**	–	**–**	–
	3,682	–	**–**	–
Bills receivable	**1,500**	–	**–**	–
Other receivables (note (d))	**11,559**	14,741	**17**	–
Less: allowance for impairment loss (note (e))	**(170)**	–	**–**	–
	11,389	14,741	**17**	–
Amounts due from subsidiaries (note 36)	**–**	–	**117,537**	83,931
Loans and receivables	**16,571**	14,741	**117,554**	83,931
Deposits and prepayments (note (f))	**63,207**	71,296	**3,786**	4,372
	79,778	86,037	**121,340**	88,303
Representing:				
Current	**72,528**	79,037	**121,340**	88,303
Non-current	**7,250**	7,000	**–**	–
	79,778	86,037	**121,340**	88,303

Notes:

(a) All of the loans and receivables are expected to be recovered within 1 year and prepayments are expected to be recognised as expense within 1 year. Deposits expected to be recovered after more than one year is RMB7,250,000 (2010: RMB7,000,000).

(b) The carrying amounts of trade and other receivables approximate to their fair values.

(c) Trade receivables are net of allowance for impairment loss of RMBNil (2010: RMB Nil) with the following analysis by age presented based on the date of sales of goods or service rendered as at the end of the reporting period:

	2011 **RMB'000**	2010 RMB'000
0 to 180 days	**2,667**	–
181 days to 365 days	**–**	–
Over 1 year	**1,015**	–
	3,682	–

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 on sales granted to customers of trading of raw marble segment is 180 days.

Management believes that no impairment allowance is necessary as the balances are fully recovered subsequent to the year end date. The Group does not hold any collateral over these balances.

(d) Included in the balance are amounts receivable from a funeral service sub-contractor and the owner of a funeral service centre of approximately RMB1,079,000 (2010: RMB1,473,000) and RMB5,035,000 (2010: RMB6,607,000) respectively. These amounts represent the receipts from the customers for the funeral services by the sub-contractor and the owner of a funeral service centre on behalf of the Group. The amounts due are unsecured, interest free and repayable on demand.

19. Trade and Other Receivables (Continued)

Notes: (Continued)

(e) Impairment of other receivable

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly.

Movements in the allowence for impairment loss

	2011 RMB'000	2010 RMB'000
At 1 January	**–**	–
Impairment loss recognised	**170**	–
At 31 December	**170**	–

As at 31 December 2011, other receivable of the Group amounting to RMB170,000 (2010: RMBnil) was individually determined to be impaired. The individually impaired receivable was due from debtor with financial difficulties. Accordingly, an impairment loss of RMB170,000 (2010: RMBnil) was recognised.

(f) Included in deposits and prepayments are deposits paid for funeral parlours and funeral services centres, prepaid hire charge of funeral parlours and funeral services centres and prepaid agency commission for funeral services deeds of approximately RMB7,250,000 (2010: RMB7,000,000), RMB11,195,000 (2010: RMB11,000,000) and RMB34,445,000 (2010: RMB40,656,000) respectively.

(g) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2011 RMB'000	2010 RMB'000
Neither past due nor impaired	**2,667**	–
Past due but not impaired		
Less than 1 month past due	**–**	–
1 to 3 months past due	**–**	–
Over 3 months past due	**1,015**	–
	1,015	–
	3,682	–

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. The balances of RMB2,667,000 are fully recovered subsequent to the year end date.

Receivables that were past due but not impaired related to two independent customers that have a good track record with the Group. Management believes that no impairment allowance is necessary in respect of these balances as the balances of RMB1,015,000 are fully recovered subsequent to the year end date. The Group does not hold any collateral over these balances.

20. Cash and Cash Equivalents

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**194,171**	242,713	**97,926**	150,430
Cash and cash equivalents in the statements of financial position and statement of cash flows	**194,171**	242,713	**97,926**	150,430

The interest rates on the cash at bank ranged from 0.01% to 0.5% (2010: 0.01% to 0.36%) per annum.

At 31 December 2011, cash at bank and in hand of the Group of approximately RMB1,481,000 (2010: RMB9,511,000) were denominated in RMB and placed with banks in the PRC. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**40,650**	155,645	**35,800**	150,276
HK$	**928**	646	**467**	154
RMB	**63,353**	5,462	**61,659**	–
NTD	**89,232**	80,960	**–**	–
EUR	**8**	–	**–**	–
	194,171	242,713	**97,926**	150,430

21. Trade and Other Payables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note (c))	**8,189**	1,173	**–**	–
Accruals and other payables	**6,665**	4,740	**1,750**	1,400
Amounts due to subsidiaries	**–**	–	**4,817**	4,565
Financial liabilities measured at amortised cost	**14,854**	5,913	**6,567**	5,965

Notes:

(a) All of the trade and other payables are expected to be settled or recognised as income within 1 year or are repayable on demand.

(b) The carrying amounts of trade and other payables approximate to their fair values.

21. Trade and Other Payables (Continued)

Notes: (Continued)

(c) The following is an aging analysis of trade payables, based on the date of receipt of goods or services rendered, at the end of the reporting period:

	2011 **RMB'000**	2010 RMB'000
0 to 30 days	**2,903**	834
31 days to 90 days	**1,814**	259
Over 90 days	**3,472**	80
	8,189	1,173

The average credit period of purchases is 30 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit period.

22. Receipts 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 receipts 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-day's 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 service deeds are sold. Accordingly, receipts 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 entered into after 31 July 2003 in financial institutions in Taiwan as trust monies. As at 31 December 2011, the Group has deposited approximately RMB40,710,000 (2010: RMB42,159,000) in those three financial institutions in Taiwan.

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 instalments paid, whichever is lower, will be forfeited as income. The Group recognised a net gain on termination/lapse of funeral services deeds of approximately RMB707,000 (2010: RMB132,000) in "other net (loss)/gain" in the consolidated statement of comprehensive income for the year.

23. Bank Borrowings

	The Group 2011 RMB'000	2010 RMB'000
Bank borrowings		
– secured	**10,344**	11,895
– unsecured	**–**	–
	10,344	11,895

At 31 December 2011, the Group's bank borrowings were due for repayment as follows:

	The Group 2011 RMB'000	2010 RMB'000
With 1 year or on demand	**594**	731
After 1 year but within 2 years	**606**	731
After 2 years but within 5 years	**1,888**	2,194
After 5 years	**7,256**	8,239
	10,344	11,895
Less: Amounts due within one year shown under current liabilities	**(594)**	(731)
	9,750	11,164

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

All bank loans are denominated in NTD. As at 31 December 2011 and 2010, all bank loans are arranged at floating rates and exposed the Group to cash flow interest rate risk.

The effective interest rates at the end of the reporting period were as follows:

	2011 RMB'000	2010 RMB'000
Bank borrowings	**1.72%**	1.55%

Bank borrowings of RMB10,344,000 (2010: RMB11,895,000) were secured by freehold land and buildings of the Group amounting to RMB16,591,000 (2010: RMB21,465,000) (note 15(e)).

24. Other Loans

	The Group 2011 RMB'000	2010 RMB'000
Other loans		
– secured	**507**	2,479

At 31 December 2011, the Group's other loans were repayable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year or on demand	**194**	303
After 1 year but within 2 years	**207**	318
After 2 years but within 5 years	**106**	673
After 5 years	**–**	1,185
	507	2,479
Less: Amounts due within one year shown under current liabilities	**(194)**	(303)
	313	2,176

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

Notes:

(a) The other loans were granted from Mr. Chen Chun Fu (陳重甫) ("Mr. Chen"), who was a director of Bau Shan, a subsidiary of the Company, who resigned on 22 December 2009, and an independent third party. The other loans are repayable by monthly instalments.

(b) As at 31 December 2011, other loan of approximately RMBNil (2010: RMB1,730,000) was due to Mr. Chen. The loan was secured by the freehold land and building of the Group of approximately RMBNil (2010: RMB2,872,000) (note 15(e)). At 31 December 2010, the other loan was bearing interest at bank saving rate plus a rate within a range from 0.301% to 1.164% per annum and with maturity date of 22 August 2025. The loan was fully repaid on 17 May 2011.

(c) As at 31 December 2011, other loan of approximately RMB507,000 (2010: RMB749,000) was due to an independent third party. The loan was secured by the freehold land of the Group of approximately RMB3,525,000 (2010: RMB3,646,000) (note 15(e)), with interest charged at a rate of 6.96% (2010: 6.73%) and with maturity date of 21 June 2014.

25. Obligation under Finance Lease

At 31 December 2011, the Group had obligation under finance lease repayable as follows:

	2011		2010	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**9**	**10**	9	11
After 1 year but within 2 years	**–**	**–**	9	10
	9	**10**	18	21
Less: total future interest expenses		**(1)**		(3)
Present value of lease obligation		**9**		18

It is the Group's policy to lease certain of its office equipment under finance lease. The above lease term is 2 years. The finance lease is arranged at floating rates and expose the Group to cash flow interest rate risk. The borrowing rate is 7.83% per annum as at 31 December 2011 (2010: 8.51%). Leases is on a fixed repayment basis and no arrangement have been entered into for contingent rental payments.

The finance lease payable is secured by the lessor's title to the leased assets.

26. Income Tax in the Consolidated Statement of Financial Position

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

	The Group 2011 RMB'000	2010 RMB'000
At 1 January	**1,770**	2,716
Provision for the year		
– PRC Enterprise Income Tax	**1,105**	3,525
– Taiwan Enterprise Income Tax	**664**	910
	1,769	4,435
Income tax paid during the year	**(2,826)**	(4,635)
Exchange adjustments	**40**	(746)
At 31 December	**753**	1,770
Representing:		
Tax recoverable	**(393)**	–
Tax payable	**1,146**	1,770
	753	1,770

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

(b) Deferred tax

Under the Enterprises Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% is applied. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. Deferred taxation of approximately RMB243,000 (2010: RMB307,000) has not been provided for in the consolidated financial statements in respect of the temporary differences of RMB4,855,000 (2010: RMB6,148,000)attributable to the undistributed retained profits earned by the subsidiaries, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the year end date, the Group has unused tax losses of RMB17,001,000 (2010: RMB5,461,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

No provision for deferred taxation has been made as the effect of all temporary differences is immaterial.

27. Share Capital

	Note	**No. of shares**	**Amount** RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2010, 31 December 2010 and 31 December 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	(a)	120,000,000	10,512
At 31 December 2010, 1 January 2011 and 31 December 2011		742,500,000	69,218

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

Note:

(a) 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$0.1 each at the subscription price of HK$1.50 per share.

28. Reserves

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

	Share premium RMB'000	Foreign currency translation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	**82,204**	**3,130**	**–**	**(6,023)**	**79,311**
Loss for the year	–	–	–	(7,193)	(7,193)
Exchange differences arising on translation	–	(8,368)	–	–	(8,368)
Total comprehensive loss for the year	–	(8,368)	–	(7,193)	(15,561)
Shares issued upon placing of new shares (note 27(a))	147,241	–	–	–	147,241
Transaction costs attributable to shares issued upon placing of new shares	(8,812)	–	–	–	(8,812)
Equity-settled share-based transactions	–	–	4,204	–	4,204
At 31 December 2010	**220,633**	**(5,238)**	**4,204**	**(13,216)**	**206,383**
At 1 January 2011	**220,633**	**(5,238)**	**4,204**	**(13,216)**	**206,383**
Loss for the year	**–**	**–**	**–**	**(8,805)**	**(8,805)**
Exchange differences arising on translation	**–**	**(20,726)**	**–**	**–**	**(20,726)**
Total comprehensive loss for the year	**–**	**(20,726)**	**–**	**(8,805)**	**(29,531)**
Equity-settled share-based transactions	**–**	**–**	**2,144**	**–**	**2,144**
Lapse of share options granted	**–**	**–**	**(9)**	**9**	**–**
At 31 December 2011	**220,633**	**(25,964)**	**6,339**	**(22,012)**	**178,996**

28. Reserves (Continued)

(b) Nature and purpose of reserves

(i) Share premium

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

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

(ii) Merger reserve

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

(iii) Statutory reserve

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

(iv) Statutory surplus reserve

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

28. Reserves (Continued)

(b) Nature and purpose of reserves (Continued)

(v) Properties revaluation reserve

The properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for freehold land and buildings in note 2(e) and is not distributable.

(vi) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(vii) Share-based compensation reserve

The share-based compensation reserve comprises the fair value of the actual or estimated number of unexercised share options granted to eligible participates of the Group recognised in accordance with accounting policies adopted for share-based payments in note 2(p).

(c) Distributable reserves

As at 31 December 2011, the aggregate amount of reserves available for distribution to owners of the Company was approximately RMB198,621,000 (2010: RMB207,417,000).

(d) Capital Management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at 31 December 2011 and 2010 were as follows:

	2011 **RMB'000**	2010 RMB'000
Total liabilities	**135,270**	147,127
Total assets	**372,162**	420,501
Gearing ratio	**36.35%**	34.99%

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29. Financial Risk Management and Fair Values

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(i) In respect of trade and other receivables, the credit risk is relatively low as the receivable for each individual customer of funeral services segment is immaterial and the Group generally does not offer credit period to customers of funeral services segment. The Group does not obtain collateral in respect of these financial assets.

(ii) In respect of trade and other receivables of trading of raw marble segment, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of these financial assets. Debts are usually due within 180 days from the date of billing.

(iii) In respect of trade and other receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the Group had certain concentrations of credit risk as for 30% (2010: 45%) of the total loans and receivables is due from an owner of a funeral service centre. There are no individual trade receivables balance exceeds 10% of the total loans and receivables at the end of the reporting period.

(iv) The majority of the Group's investments are financial assets designated as at FVTPL which include mutual funds and unit trusts established in Taiwan. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

(v) The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

29. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on its liquid funds as a significant source of liquidity.

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2011					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total contractual undiscounted cash flow RMB'000**	**Carrying amount RMB'000**
Trade payables	**8,189**	**–**	**–**	**–**	**8,189**	**8,189**
Accruals and other payables	**6,665**	**–**	**–**	**–**	**6,665**	**6,665**
Bank borrowings	**785**	**785**	**2,356**	**7,984**	**11,910**	**10,344**
Other loans	**222**	**222**	**107**	**–**	**551**	**507**
Obligation under finance lease	**10**	**–**	**–**	**–**	**10**	**9**
	15,871	**1,007**	**2,463**	**7,984**	**27,325**	**25,714**

	2010					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade payables	1,173	–	–	–	1,173	1,173
Accruals and other payables	4,740	–	–	–	4,740	4,740
Bank borrowings	920	908	2,653	9,004	13,485	11,895
Other loans	379	379	773	1,300	2,831	2,479
Obligation under finance lease	11	10	–	–	21	18
	7,223	1,297	3,426	10,304	22,250	20,305

29. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

The Company

	2011					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total contractual undiscounted cash flow RMB'000**	**Carrying amount RMB'000**
Accruals and other payables	**1,750**	**–**	**–**	**–**	**1,750**	**1,750**
Amounts due to subsidiaries	**4,817**	**–**	**–**	**–**	**4,817**	**4,817**
	6,567	**–**	**–**	**–**	**6,567**	**6,567**

	2010					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Accruals and other payables	1,400	–	–	–	1,400	1,400
Amounts due to subsidiaries	4,565	–	–	–	4,565	4,565
	5,965	–	–	–	5,965	5,965

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk and fair value interest rate risk in relation to borrowings issued at variable rates and fixed rates respectively. The Group did not use derivative financial instruments to hedge its debt obligations. It is the Group's policy to maximise its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of lending rate determined by the bank in Taiwan arising from the Group's NTD borrowings.

(i) The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

		The Group			
		2011		2010	
	Note	**RMB'000**	**Effective interest rate (%)**	RMB'000	Effective interest rate (%)
Variable rate borrowings					
Bank borrowings	23	**10,344**	**1.72%**	11,895	1.55%
Other loans	24	**507**	**6.96%**	2,479	3.61%
Obligation under finance lease	25	**9**	**7.83%**	18	8.51%
Total borrowings		**10,860**		14,392	
Fixed rate borrowings as a percentage of total borrowings		**–**		–	

29. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank borrowings, with all other variables held constant, would increase/decrease the Group's loss/profit after tax and increase/decrease the accumulated losses by approximately RMB109,000 (2010: RMB144,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analyses above have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2010: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2010.

(d) Currency risk

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

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables and payables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars.

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

The Group

	Exposure to foreign currencies (expressed in RMB)								
	2011					2010			
	US$ '000	**NTD '000**	**EUR '000**	**RMB '000**	**HK$ '000**	US$ '000	NTD '000	EUR '000	RMB '000
Cash and cash equivalents	**4,518**	**–**	**8**	**61,659**	**573**	155,645	–	–	2
Trade and other receivables	**1,015**	**–**	**–**	**–**	**–**	–	–	–	–
Trade and other payables	**(5,678)**	**–**	**–**	**–**	**(1,750)**	–	–	–	–
Net exposure arising from recognised assets and liabilities	**(145)**	**–**	**8**	**61,659**	**(1,177)**	155,645	–	–	2

29. Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Company

	Exposure to foreign currencies (expressed in RMB)								
	2011					2010			
	US$ '000	NTD '000	EUR '000	RMB '000	HK$ '000	US$ '000	NTD '000	EUR '000	RMB '000
Amounts due from subsidiaries	–	56,359	–	–	61,178	–	37,776	–	–
Cash and cash equivalents	–	–	–	61,659	467	150,276	–	–	–
Amounts due to subsidiaries	–	(2,613)	–	(2,204)	–	–	(2,729)	–	(1,836)
Other payables	–	–	–	–	(1,750)	–	–	–	–
Net exposure arising from recognised assets and liabilities	–	53,746	–	59,455	59,895	150,276	35,047	–	(1,836)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss/profit after taxation (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	The Group					
	2011			2010		
	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation RMB'000	Effect on accumulated loss RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation RMB'000	Effect on accumulated loss RMB'000
US$	4.3%	(6)	(6)	3.7%	5,750	5,750
	(4.3%)	6	6	(3.7%)	(5,750)	(5,750)
RMB	4.3%	2,636	2,636	–	–	–
	(4.3%)	(2,636)	(2,636)	–	–	–
HK$	7.9%	(93)	(93)	–	–	–
	(7.9%)	93	93	–	–	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure these financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2010.

(e) Equity price risk

The Group is exposed to equity price changes arising from financial assets designated as at FVTPL.

The Group's mutual funds and unit trusts are established in Taiwan, which consist of local and foreign currencies bank deposits, bonds and equity securities listed in Taiwan and other foreign stock markets.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 21.64% (2010: 9.32%) higher/lower, loss/profit for the year would decrease/increase by RMB7,817,000 (2010: increase/decrease by RMB4,092,000) for the Group as a result of the changes in fair value of financial assets designated as at FVTPL.

29. Financial Risk Management and Fair Values (Continued)

(e) Equity price risk (Continued)

The sensitivity analysis indicates the instantaneous change in the Group's loss/profit after tax (and accumulated loss) and other components of consolidated equity that would arise assuming that the changes in the stock market index had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables and that all other variables remain constant. The analysis is performed on the same basis for 2010.

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

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

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

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

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

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

	2011				2010			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset								
Financial assets designated as at FVTPL	**38,971**	**–**	**–**	**38,971**	44,573	–	–	44,573

During the years ended 31 December 2011 and 2010, there were no transfer between instruments in Level 1 and Level 2.

(g) Estimation of fair values

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

(i) Financial assets designated as at FVTPL

Fair value for financial assets designated as at FVTPL is based on their current bid prices in an active market.

29. Financial Risk Management and Fair Values (Continued)

(g) Estimation of fair values (Continued)

(ii) Interest-bearing borrowings and loans

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

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

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

30. Acquisition of Subsidiaries

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

As the Group is exploring the funeral related business, on 1 April 2011, the Company acquired 55% of equity interest 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 ("Full Famous") and Chongqing Full Famous Stone Material Co., Ltd. ("Chongqing Full Famous")（重慶豐譽石材限責任公司）(the "Jing Run Group"), were mainly engaged in the trading of raw marble used for the construction of building and gravestone.

For the nine months ended 31 December 2011, Jing Run Group contributed revenue and profit of approximately RMB14,295,000 and RMB1,016,000 respectively to the revenue and loss of the Group for the year ended 31 December 2011.

Had the acquisition occurred on 1 January 2011, the revenue and loss of the Group for the year ended 31 December 2011 would have been approximately RMB73,026,000 and RMB29,840,000 respectively. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

	Amounts recognised (at fair value) RMB'000
Property, plant and equipment	290
Trade and other receivables	2,600
Cash and cash equivalents	6,391
Trade and other payables	(2,745)
Total identifiable net assets	6,536
Less: Non-controlling interests	(2,931)
Consideration, satisfied in cash	3,605
Cash and cash equivalent balances acquired	6,391
Net cash inflow	2,786

The acquired receivables with fair value of RMB2,600,000 had gross contractual amount of RMB2,600,000. The best estimate at acquisition date of contractual cash flows not expected to be collected is RMB nil.

Non-controlling interests are measured at their proportionate share of the identifiable net assets acquired.

31. Material Related Party Transactions

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

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9 is as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and other short-term employee benefits	**3,822**	3,205
Post-employment benefits	**10**	14
Equity compensation benefits	**83**	663
	3,915	3,882

Total remuneration is included in "Staff Costs" (see note 6 (b)).

(b) Transactions with other related parties

There are no material transactions with other related parties during the year.

32. Operating Lease Commitments

(a) The Group as lessee

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

	2011 **RMB'000**	2010 RMB'000
Within one year	**11,018**	14,248
In the second to fifth year, inclusive	**70,490**	63,604
After five years	**122,600**	138,183
	204,108	216,035

Operating lease payments represent rentals payable by the Group for certain of its sales offices and hire of funeral parlours and funeral services centres. Leases are negotiated for an average term of 2 to 20 years (2010: 2 to 20 years) and certain leases include contingent rentals which are based on certain percentage of sales and the PRC consumer price index respectively.

(b) The Group as lessor

At the end of the reporting period, the Group had contracted with tenants in respect of part of its office and plant and equipment for the following future minimum lease payments:

	2011 **RMB'000**	2010 RMB'000
Within one year	**8**	4

None of the leases includes contingent rentals.

(c) The Company had no significant operating lease commitments as at 31 December 2011 and 2010.

33. Capital Commitments

Capital commitments outstanding at 31 December 2011 not provided for in the financial statements are as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Capital expenditure contracted but not provided for:				
– Acquisition of property, plant and equipment	**551**	2,589	**548**	684
– Investment in a joint venture	**6,500**	6,500	**–**	–
	7,051	9,089	**548**	684

34. Pledge of Assets

As at 31 December 2011, bank borrowings and other loans of the Group were secured by freehold land and buildings with an aggregate carrying amount of RMB14,309,000 (2010: RMB19,648,000) and RMB5,807,000 (2010: RMB8,335,000) respectively. In addition, as at 31 December 2011, the carrying amount of freehold land of RMB1,697,000 (2010: RMB 1,746,000) was pledged as security for the Group's bank borrowings in prior years and not yet released up to the year end date.

35. Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities at 31 December 2011 and 2010.

36. Investments in Subsidiaries

	The Company	
	2011	2010
	RMB'000	RMB'000
Unlisted shares, at cost	**35,344**	42,830
Amounts due from subsidiaries (note 19)	**117,537**	83,931
Amounts due to subsidiaries (note 21)	**(4,817)**	(4,565)

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

36. Investments in Subsidiaries (Continued)

Details of the Company's subsidiaries, which are private companies or, if established/incorporated outside Hong Kong, have substantially the same characteristics as a Hong Kong private company, as at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share or registered capital		Attributable equity interest		Principal activities/ place of operation
		2011	2010	**2011**	2010	
Directly held						
Bau Shan	Taiwan 29 December 1998	**Ordinary NTD165,240,000**	Ordinary NTD165,240,000	**100%**	100%	Provision of funeral services, sale of funeral services deeds and investment holding/Taiwan
Full Spread (China) Limited	Hong Kong 5 October 2007	**Ordinary HK$1**	Ordinary HK$1	**100%**	100%	Investment holding/Hong Kong
Allied Smart Development Limited	Hong Kong 1 April 2010	**Ordinary HK$1**	Ordinary HK$1	**100%**	100%	Investment holding/Hong Kong
Sino-Life (Hong Kong) Limited	Hong Kong 9 October 2010	**Ordinary HK$1**	Ordinary HK$1	**100%**	100%	Provision of funeral services/ Hong Kong
Dayrise Enterprises Limited	BVI 13 September 2010	**Ordinary US$1**	Ordinary US$1	**100%**	100%	Investment holding/BVI
Jing Run Limited	BVI 12 February 2010	**Ordinary US$1,000,000**	–	**55%**	–	Trading of raw marble and investment holding/ Taiwan
Skyward Fountain Enterprise Limited	Hong Kong 19 October 2011	**Ordinary HK$1**	–	**100%**	–	Not yet commenced business/Hong Kong
Indirectly held						
Bau De	Taiwan 6 November 2000	**Ordinary NTD108,000,000**	Ordinary NTD108,000,000	**83.33%**	83.33%	Sub-contracting of funeral services/ Taiwan
Xibao Technology (note i)	The PRC 19 March 2007	**Registered capital US$6,000,000**	Registered capital US$8,000,000	**100%**	100%	Consultation of funeral services and investment holding/The PRC
Chongqing Xizhou Funeral Service Company Limited (note ii)	The PRC 25 October 2006	**Registered capital RMB300,000**	Registered capital RMB300,000	**100%**	100%	Consultation of funeral services/The PRC
Sino-Life Eternities Limited (note (iii))	BVI 15 April 2010	**Ordinary US$10,000**	Ordinary US$10,000	**73.75%**	70%	Investment holding/BVI
Sino-Life Eternities Services Limited (note (iii))	Hong Kong 20 April 2010	**Ordinary HK$1**	Ordinary HK$1	**73.75%**	70%	Not yet commenced business/Hong Kong

36. Investments in Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share or registered capital		Attributable equity interest		Principal activities/ place of operation
		2011	2010	**2011**	2010	
Indirectly held (Continued)						
Jinhao Enterprises Limited	BVI 13 September 2010	**Ordinary US$1**	Ordinary US$1	**100%**	100%	Investment holding/ BVI
Sino-Departures Limited	Hong Kong 5 December 2011	**Ordinary HK$5**	–	**60%**	–	Not yet commenced business/Hong Kong
Full Famous	Hong Kong 22 April 2010	**Ordinary HK$1**	–	**55%**	–	Investment holding/ Hong Kong
Chongqing Full Famous (note i)	The PRC 2 August 2010	**Registered capital RMB5,500,000**	–	**55%**	–	Trading of raw marble/The PRC

Notes:

(i) A foreign wholly-owned enterprise

(ii) A limited liability company

(iii) During the year, the Group further acquired 3.75% equity interests in Sino-Life Eternities Limited, increasing its effective interests to 73.75%. The consideration of RMB2,000 were paid in cash. An amount of RMB2,000 (being the proportionate share of the carrying amount of the net assets of Sino-Life Eternities Limited and Sino-Life Eternities Services Limited) has been transferred from non-controlling interests.

37. Equity-Settled Share-Based Transactions

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

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

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

(b) The participants include:

(1) any employee or proposed employee of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;

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

(3) any consultants, advisers, agents, partners or joint-venture partners of the Company or any Invested Entity.

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

(c) The exercise price of a share option under the Share Option Scheme will not be less than the highest of:

(1) 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;

(2) 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

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

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

The total number of shares available for issue under the Share Option Scheme is 74,250,000 representing 10% of the issued shares of the Company as at the year end date.

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

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

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

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

(i) The terms and conditions of the options granted during 2010 are as follows:

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

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

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

	2011		2010	
	Weighted average exercise price	**Number of shares issuable under options granted**	Weighted average exercise price	Number of shares issuable under options granted
Outstanding at the beginning of the year	**HK$1.18**	**52,836,000**	–	–
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	–	–
Granted during the year	**–**	**–**	HK$1.18	60,000,000
Lapsed during the year	**HK$1.18**	**(100,000)**	HK$1.18	(744,000)
Cancelled during the year	**–**	**–**	HK$1.18	(6,420,000)
Outstanding at the end of the year	**HK$1.18**	**52,736,000**	HK$1.18	52,836,000
Exercisable at the end of the year	**HK$1.18**	**22,884,000**	HK$1.18	13,032,000

The particulars of outstanding options at the end of the reporting period are as follows:

At 31 December 2011	**Number of instruments**	**Vesting period**	**Exercisable period**	**Exercise price**
Options granted to employees:				
– on 11 February 2010	10,836,000	11 February 2010 to 10 August 2010	11 August 2010 to 11 February 2020	HK$1.18
Options granted to consultants:				
– on 11 February 2010	41,900,000	11 February 2010 to 10 August 2010	11 August 2010 to 11 February 2020	HK$1.18
Total share options outstanding	52,736,000			

At 31 December 2010	**Number of instruments**	**Vesting period**	**Exercisable period**	**Exercise price**
Options granted to employees:				
– on 11 February 2010	10,936,000	11 February 2010 to 10 August 2010	11 August 2010 to 11 February 2020	HK$1.18
Options granted to consultants:				
– on 11 February 2010	41,900,000	11 February 2010 to 10 August 2010	11 August 2010 to 11 February 2020	HK$1.18
Total share options outstanding	52,836,000			

The share options outstanding at 31 December 2011 had an exercise price of HK$1.18 (2010: HK$1.18) and a weighted average remaining contractual life of 8.1 years (2010: 9.1 years).

These options expire ten years from the date of grant. As at 31 December 2011: 2,984,000 of 52,736,000 options (2010: 3,084,000 of 52,836,000 options) were exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,752,000 of 52,736,000 options (2010: 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.

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

(k) Fair value of share options and assumptions

(i) *Granted to employees*

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

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

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

(ii) *Granted to consultants*

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

Up to 31 December 2011, 41,900,000 share options under the Share Option Scheme are granted by the Company to the consultants of the Group which entitles the holder thereof to subscribe for an aggregate of 41,900,000 ordinary shares of HK$0.1 each in the capital of the Company with an exercise price of HK$1.18 per share during the exercisable period from 11 August 2010 to 11 February 2020.

38. Events After The Reporting Period

On 16 January 2012, the Company granted a total of 16,920,000 share options, which can subscribe for a total of 16,920,000 ordinary shares of the Company of HK$0.10 each at the exercise price of HK$0.60 per share, to directors and employees of the Group, pursuant to the Share Option Scheme. The share options will be exercisable during the period from 16 January 2013 to 15 January 2017.

39. Accounting Estimates and Judgements

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment of receivables

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

(ii) Impairment of property, plant and equipment

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

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

(iv) Depreciation and amortisation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses charged for the year.

This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(v) Income tax

The subsidiaries of the Company are subject to income taxes in the PRC and Taiwan. Significant judgement is required in determining the provision for income taxes. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the financial period in which such determination is made.

(vi) Price of funeral services deeds

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

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

40. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 Financial Instruments

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

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

40. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2011 (Continued)

HKFRS 9 Financial Instruments (Continued)

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2015 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

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

The directors anticipate that the application of the amendments of HKFRS 7 will affect the Group's disclosure regarding transfer of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

40. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2011 (Continued)

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Continued)

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

40. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2011 (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The directors anticipate that the application of the amendments to HKAS 12 do not have a significant impact as the Group currently do not have any investment property.

HK(IFRIC) – Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC) – Int 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC) – Int 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The directors anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors anticipate that the application of the HK(IFRIC)-Int 20 do not have any impact as the Group is not engaged in mining operation.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The directors anticipate that the application of the amendments to HKAS 19 do not have a significant impact as the Group currently do not have any defined benefit plan.