



香港生命集團控股有限公司

HONG KONG LIFE GROUP HOLDINGS LIMITED

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

THIRD QUARTERLY REPORT

**2011/2012**



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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

## RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months and nine months ended 31 March 2012, together with comparative figures for the same corresponding period in 2011, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
<b>Revenue</b>	2	71	6	189	13,994
<b>Cost of sales</b>		(23)	(4)	(132)	(5,280)
<b>Gross profit</b>		48	2	57	8,714
Other income	3	30	20,946	30	21,116
Share option expense	8	–	(1,844)	–	(1,844)
Selling and distribution expenses		–	(74)	(1)	(5,775)
Administrative and operating expenses		(5,254)	(24,710)	(12,821)	(37,578)
<b>Operating loss</b>		(5,176)	(5,680)	(12,735)	(15,367)
Finance costs		(3,684)	(24,870)	(11,048)	(38,985)
Share of loss of a jointly controlled entity		(7)	–	(25)	–
<b>Loss before taxation</b>		(8,867)	(30,550)	(23,808)	(54,352)
Income tax		–	–	–	–
<b>Loss for the period</b>		(8,867)	(30,550)	(23,808)	(54,352)
<b>Attributable to:</b>					
Owners of the Company		(8,876)	(30,580)	(23,781)	(54,347)
Non-controlling interests		9	30	(27)	(5)
		(8,867)	(30,550)	(23,808)	(54,352)
<b>Loss per share</b>	6				
Basic		(HK2.06 cents)	(Restated) (HK60.12 cents)	(HK6.51 cents)	(Restated) (HK41.58 cents)
Diluted		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	For the three months ended 31 March		For the nine months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(8,867)</b>	<b>(30,550)</b>	<b>(23,808)</b>	<b>(54,352)</b>
<b>Other comprehensive income/(loss):</b>				
Exchange differences arising on translation of foreign operations	(4)	(16)	(54)	57
<b>Total comprehensive loss for the period</b>	<b>(8,871)</b>	<b>(30,566)</b>	<b>(23,862)</b>	<b>(54,295)</b>
<b>Attributable to:</b>				
Owners of the Company	<b>(8,879)</b>	(30,580)	<b>(23,830)</b>	(54,295)
Non-controlling interests	<b>8</b>	14	<b>(32)</b>	-
<b>Total comprehensive loss for the period</b>	<b>(8,871)</b>	<b>(30,566)</b>	<b>(23,862)</b>	<b>(54,295)</b>

Notes:

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated results have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are carried at their fair values, and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosures requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance. The accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the Group's audited financial statements for the year ended 30 June 2011.

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

The unaudited consolidated results of the Group for the three months and nine months ended 31 March 2012 are unaudited but have been reviewed by the Company's Audit Committee.

## 2. REVENUE

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

For management purpose, the Group is currently organized into three operating divisions. These divisions are the basis on which the Group reports its primary segment information for the three months and nine months ended 31 March 2012. Principle activities are as follows:

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

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

	For the three months ended 31 March		For the nine months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Trading of natural resources	–	–	–	–
Provision of shrine	–	–	–	13,952
Paper-offering	71	6	189	42
	<b>71</b>	<b>6</b>	<b>189</b>	<b>13,994</b>

**3. OTHER INCOME**

	<b>For the three months ended 31 March</b>		<b>For the nine months ended 31 March</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Bank interest	<b>4</b>	–	<b>4</b>	–
Gain on disposal of a subsidiary	–	20,663	–	20,663
Fair value gain on financial assets at fair value through profit or loss	–	283	–	283
Sundry income	<b>26</b>	–	<b>26</b>	170
	<b>30</b>	20,946	<b>30</b>	21,116

**4. INCOME TAX**

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly are exempted from payment of the British Virgin Islands income taxes.

No provision of Hong Kong Profits Tax had been made as the Group had no assessable profits derived from Hong Kong for the nine months ended 31 March 2012 (2011: Nil).

PRC Enterprise Income Tax had not been provided for the PRC subsidiaries as they did not generate any assessable profits for the nine months ended 31 March 2012 (2011: Nil).

**5. DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the nine months ended 31 March 2012 (2011: Nil).

**6. LOSS PER SHARE**

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	<b>For the three months ended 31 March</b>		<b>For the nine months ended 31 March</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	<b>(8,876)</b>	(30,580)	<b>(23,781)</b>	(54,347)
<hr/>				
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share ('000)	<b>431,600</b>	(Restated) 50,868	<b>365,195</b>	(Restated) 130,698
<hr/>				

Diluted loss per share for the above periods have not been presented as the outstanding convertible bonds and share options had anti-dilutive effects.

## 7. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the nine months ended 31 March 2012

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Convertible bonds reserve HK\$'000	Share options reserve HK\$'000	Translation reserves HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
<b>At 1 July 2011 (Audited)</b>	213,700	866,989	15,826	83,830	1,847	257	(222,336)	960,113	2,457	962,570
Total comprehensive loss for the period	-	-	-	-	-	(49)	(23,781)	(23,830)	(32)	(23,862)
Redemption of convertible bonds	-	-	-	(4,192)	-	-	-	(4,192)	-	(4,192)
Capital reduction on the par value of ordinary shares from HK\$2.00 each to HK\$0.0001 each	(213,689)	-	-	-	-	-	213,689	-	-	-
Placing of shares	2	5,755	-	-	-	-	-	5,757	-	5,757
<b>At 31 March 2012 (Unaudited)</b>	13	872,744	15,826	79,638	1,847	208	(32,428)	937,848	2,425	940,273
At 1 July 2010 (Audited)	33,837	490,107	15,826	269,883	-	4,430	(126,968)	687,094	17,638	704,732
Total comprehensive (loss)/income for the period	-	-	-	-	-	52	(54,347)	(54,295)	-	(54,295)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(1,207)	(1,207)
Disposal of a subsidiary	-	-	-	-	-	(4,263)	-	(4,263)	(15,101)	(19,364)
Recognition of equity settled share-based payment	-	-	-	-	1,844	-	-	1,844	-	1,844
Issue of shares										
- on subscription of shares	741	11,856	-	-	-	-	-	12,597	-	12,597
- conversion of convertible bonds	19,373	303,182	-	(172,582)	-	-	-	149,973	-	149,973
- on right issues	124,133	124,133	-	-	-	-	-	248,266	-	248,266
Transaction costs attributable to rights issue	-	(5,246)	-	-	-	-	-	(5,246)	-	(5,246)
At 31 March 2011 (Unaudited)	178,084	924,032	15,826	97,301	1,844	219	(181,336)	1,035,970	1,330	1,037,300



## 8. SHARE-BASED PAYMENTS TRANSACTION

On 2 February 2011 ("Date of Grant"), there were 17,800,000 shares options granted ("Share Options") under the post-IPO share option scheme adopted by the Company on 13 May 2002. The unaudited fair value of the Share Options amounted to approximately HK\$1,844,000 for the three months and nine months ended 31 March 2011. The Share Options are exercisable from the Date of Grant to 1 February 2016.

The unaudited fair values of the Share Options were derived from Black-Scholes option pricing model by applying the following bases and assumptions:

Dividend yield	Nil
Expected volatility	68.18%
Risk-free rate	1.92%
Price of the Company's share at the Date of Grant (HK\$ per share)	0.180

## 9. CAPITAL COMMITMENTS

	<b>At</b>	At
	<b>31 March</b>	30 June
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Capital expenditure in respect of sole distribution right of the paper-offering business	<b>474</b>	488

## 10. EVENT AFTER THE REPORTING PERIOD

On 4 May 2012, The Company announced that it proposes to raise approximately HK\$88.22 million before expenses by issuing 639,250,500 Rights Shares to the Qualifying Shareholders by way of the Rights Issue at the subscription price of HK\$0.138 per Rights Share on the basis of 5 Rights Shares for every 1 existing share held on 26 June 2012. Details on the Rights Issue are set out in the Company's announcement dated 4 May 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

By judgment of the High Court made on 3 October 2011, the Court ordered that the Company's application for judicial review was dismissed. As a nutshell, the Judge having considered the planning intention, the context of the Outline Zoning Plan ("OZP") and the meaning of "shrine", the Judge came to the view that the use of the land by the project of the Company in Yuen Long, Hong Kong ("The Shrine") plainly falls outside the scope of a use serving the needs of the villagers and in support of the village development; and in conclusion, the Judge adjudged that The Shrine is not a shrine within the meaning of Paragraph (9)(b) in the context of the OZP but rather, it is a columbarium and the judicial review fails. The Group has subsequently submitted the notice of appeal to the Court of Appeal appealing against the judgment on 27 October 2011. The High Court has then fixed the date of the hearing of the appeal of the judicial review on 21 June 2012.

Since the result of the abovementioned judicial review appeal depends on various factors, the Group is unable to guarantee a positive adjudgment. In the case of an unsuccessful appeal, the Group may have to transfer the financial resources from the shrine business to other segments of the Group or other potential investment opportunities identified by the Group from time to time. The Group announced that a sale and purchase agreement between the Group and an independent third party was entered into on 28 February 2012, pursuant to which the Group has conditionally agreed to acquire 49% of the total issued share capital of Baron's School of Music Limited, at the consideration of HK\$47.04 million (the "Acquisition"). Details on the Acquisition were set out in the Company's announcements dated 28 February 2012 and 6 March 2012.

Given that the Group is unable to generate any material positive cashflow from its existing activities due to the judicial review and the unfavourable market conditions, the Directors consider that a rights issue would provide an opportunity for the Group to raise funds in order to improve the financials of the Group and to provide financial resources for the Group's existing and future business development and the potential investments as and when opportunities arise. The Group announced on 4 May 2012 that it proposes to raise approximately HK\$88.22 million before expenses, by issuing 639,250,500 Right Shares to the Qualifying Shareholders by way of the Rights Issue at the subscription price of HK\$0.138 per Rights Share on the basis of 5 Rights Shares for every 1 existing share held on 26 June 2012. Details on the Rights Issue are set out in the Company's announcement dated 4 May 2012.

On 4 January 2012, the Company entered into a placing agreement with the placing agent, Pico Zeman Securities (HK) Limited, whereby the Company conditionally agreed to place, through the placing agent, on a best effort basis, a maximum of 21,000,000 placing shares to not less than six independent placees at a price of HK\$0.29 per placing share. On 18 January 2012, the Board announced that all conditions of the placing were fulfilled and the completion of the placing took place on 18 January 2012. Details of the placing were set out in the Company's announcements dated 4 January and 18 January 2012.

### **Financial Review**

The Group posted an unaudited consolidated revenue of approximately HK\$189,000 for the nine months ended 31 March 2012 (2011: HK\$13.99 million), representing an decrease of HK\$13.81 million or 98.65% compared to the nine months ended 31 March 2011.

Operating loss decreased from approximately HK\$15.4 million for the nine months ended 31 March 2011 to approximately HK\$12.7 million for the nine months ended 31 March 2012, representing a reduction of 17.1% over the corresponding period. This is mainly attributable to the substantial decrease of approximately 70.4% in the aggregate amount of selling, distribution and administrative expenses. Finance costs have also reduced substantially by approximately 71.7% from HK\$39.0 million for the nine months ended 31 March 2011 to HK\$11.0 million for the nine months ended 31 March 2012. This is resulted from savings in imputed interest on promissory notes due to repayment of the promissory notes during the nine months ended 31 March 2011.

## Prospects

With the proceeds to be received from the Rights Issue mentioned under "Business Review", the Board considers that the Group's financial position would be ameliorated to a great extent for further development of its existing business and the Group would then be better equipped for the negotiation of any potential acquisition. In addition, the Acquisition as referred to above provides an opportunity for the Group to further expand its business in the sector of professional music education. The Board will continue to explore other potential investment opportunities so as to diversify its business and strengthen the profitability of the Group.

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

As at 31 March 2012, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in the shares and underlying shares of the Company

Name of Directors	Nature of interests/Capacity	Number of shares	Number of underlying shares	Approximate percentage of issued share capital
Mr. Lam Wai Pong	Personal	–	297,000 (note 1)	0.23%
Mr. Lau Chi Kwong	Personal	–	297,000 (note 2)	0.23%

*Notes:*

1. The personal interest of Mr. Lam Wai Pong represents an interest in 297,000 underlying shares in respect of options granted by the company as detailed below.
2. The personal interest of Mr. Lau Chi Kwong represents an interest in 297,000 underlying shares in respect of options granted by the company as detailed below.

**Share Option Scheme**

Details of movements in the share options under the share option scheme during the period ended 31 March 2012 are as follows:

Name	Date of grant	Number of share options granted	Share consolidation	Number of share options		Exercised price (HK\$ per share)	Exercised period
				Exercised/ Lapsed during the period	outstanding as at 31 March 2012		
Mr. Lam Wai Pong	2 February 2011	5,940,000	(5,643,000)	-	297,000	3.6	2 February 2011 to 1 February 2016
Mr. Lau Chi Kwong	2 February 2011	5,940,000	(5,643,000)	-	297,000	3.6	2 February 2011 to 1 February 2016
Mr. Poon Lai Yin Michael	2 February 2011	5,920,000	(5,624,000)	(296,000)	-	3.6	2 February 2011 to 1 February 2016

Save as disclosed above, during the period ended 31 March 2012, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

## DIRECTOR'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

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

As at 31 March 2012, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

<b>Name of Shareholders</b>	<b>Capacity/Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of shareholding</b>
Red Rabbit Capital Limited ( <i>note</i> )	Beneficial owner	18,264,100	14.29
Kong Lung Cheung ( <i>note</i> )	Interest in controlled corporation	18,264,100	14.29
Zhang Ming	Beneficial owner	8,480,000	6.63

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

Save as disclosed above, as at 31 March 2012, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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

During the nine months ended 31 March 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPETING INTERESTS**

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

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

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

## AUDIT COMMITTEE

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

The audit committee consisted of three independent non-executive Directors, namely Ms. Chan Wan Yee, Mr. Siu Kwok Chung and Mr. Sit Bun. Ms. Chan Wan Yee is the chairman of the audit committee. The Group's unaudited results for the nine months ended 31 March 2012 had been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.

By Order of the Board  
**HONG KONG LIFE GROUP HOLDINGS LIMITED**  
香港生命集團控股有限公司  
**Lam Wai Pong**  
*Chairman & Executive Director*

Hong Kong, 15 May 2012

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

*Executive Directors*

Mr. Lam Wai Pong  
Mr. Lau Chi Kwong  
Ms. Leung Wai Kuen, Cerene  
Mr. Zhang Yan

*Independent Non-executive Directors*

Ms. Chan Wan Yee  
Mr. Siu Kwok Chung  
Mr. Sit Bun