



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**

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

This report, for which the directors (the “Directors”) of Sino-Life Group Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.

Condensed Consolidated Quarterly Results for the nine months ended 30 September 2012 (Unaudited)

The board of Directors (the "Board") hereby presents the unaudited condensed consolidated results of the Group for the three months and the nine months ended 30 September 2012 together with the comparative unaudited figures for the corresponding periods in 2011, as follows:

Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended 30 September		Nine months ended 30 September	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Turnover	3	14,413	21,471	46,438	57,702
Cost of sales		(3,505)	(10,663)	(11,548)	(23,128)
Gross profit		10,908	10,808	34,890	34,574
Other revenue and other net gain/(loss)		2,476	(5,778)	3,957	(3,804)
Selling expenses		(5,399)	(5,541)	(18,885)	(16,270)
Administrative expenses		(8,519)	(10,030)	(29,617)	(29,720)
Other operating expenses		(38)	–	(299)	(160)
Loss from operations		(572)	(10,541)	(9,954)	(15,380)
Finance costs		(49)	(51)	(165)	(216)
Loss before taxation		(621)	(10,592)	(10,119)	(15,596)
Income tax	4	(489)	(162)	(1,200)	(626)
Loss for the period		(1,110)	(10,754)	(11,319)	(16,222)
Other comprehensive (loss)/income for the period (after tax and reclassification adjustments)		(1,653)	(3,899)	944	(8,414)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(2,763)	(14,653)	(10,375)	(24,636)
(Loss)/profit attributable to:					
Owners of the Company		(1,065)	(10,672)	(11,291)	(17,050)
Non-controlling interests		(45)	(82)	(28)	828
		(1,110)	(10,754)	(11,319)	(16,222)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(2,687)	(14,595)	(10,289)	(25,451)
Non-controlling interests		(76)	(58)	(86)	815
		(2,763)	(14,653)	(10,375)	(24,636)
Loss per share					
Basic and diluted	5	RMB(0.14) cents	RMB(1.44) cents	RMB(1.52) cents	RMB(2.30) cents

Combined Statement of Changes in Equity

Attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Statutory surplus reserve RMB'000	Properties revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011 (audited)	69,218	220,633	(16,261)	225	1,550	1,756	(1,230)	4,204	(6,507)	273,588	(214)	273,374
Comprehensive loss												
Loss for the period	-	-	-	-	-	-	-	-	(17,050)	(17,050)	828	(16,222)
Other comprehensive loss												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	217	-	-	-	217	-	217
Exchange differences arising on translation	-	-	-	-	-	-	(8,618)	-	-	(8,618)	(13)	(8,631)
Total other comprehensive loss	-	-	-	-	-	217	(8,618)	-	-	(8,401)	(13)	(8,414)
Total comprehensive loss for the period	-	-	-	-	-	217	(8,618)	-	(17,050)	(25,451)	815	(24,636)
Transactions with owners												
Equity-settled share-based transactions	-	-	-	-	-	-	-	1,640	-	1,640	-	1,640
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	2,950	2,950
Total transactions with owners	-	-	-	-	-	-	-	1,640	-	1,640	2,950	4,590
At 30 September 2011 (unaudited)	69,218	220,633	(16,261)	225	1,550	1,973	(9,848)	5,844	(23,557)	249,777	3,551	253,328
At 1 January 2012 (audited)	69,218	220,633	(16,261)	225	1,550	487	(11,775)	6,339	(36,577)	233,839	3,053	236,892
Comprehensive loss												
Loss for the period	-	-	-	-	-	-	-	-	(11,291)	(11,291)	(28)	(11,319)
Other comprehensive income												
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	745	-	-	-	745	-	745
Exchange differences arising on translation	-	-	-	-	-	-	257	-	-	257	(58)	199
Total other comprehensive income	-	-	-	-	-	745	257	-	-	1,002	(58)	944
Total comprehensive loss for the period	-	-	-	-	-	745	257	-	(11,291)	(10,289)	(86)	(10,375)
Transactions with owners												
Equity-settled share-based transactions	-	-	-	-	-	-	-	1,133	-	1,133	-	1,133
Lapse of share options granted	-	-	-	-	-	-	-	(52)	52	-	-	-
Capital contribution received by a non-wholly owned subsidiary from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,288	1,288
Decrease in non-controlling interests arising on acquisition of interests in a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Total transactions with owners	-	-	-	-	-	-	-	1,081	52	1,133	1,285	2,418
At 30 September 2012 (unaudited)	69,218	220,633	(16,261)	225	1,550	1,232	(11,518)	7,420	(47,816)	224,683	4,252	228,935

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2012

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands and acts as an investment holding company. Its shares are listed on the GEM of the Stock Exchange on 9 September 2009. The principal activities of its principal subsidiaries are provision of funeral services.

The unaudited condensed consolidated third quarterly financial statements are presented in Renminbi ("RMB"), rounded up to the nearest thousand, except when otherwise indicated, as majority of the Group's transactions are denominated in RMB.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 30 September 2012 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2011. In the current period, the Group has applied, for the first time, a number of new or revised standards and interpretation ("new or revised HKFRSs") issued by HKICPA. The application of the new or revised HKFRSs in the current period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

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

3. TURNOVER

The amount of each significant category of revenue recognised in turnover for the nine months ended 30 September 2012 is as follows:

	Nine months ended 30 September	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Funeral services provided in funeral parlours and funeral services centres under the Group's management	29,946	26,729
Cremation services	10,861	9,682
Funeral arrangement services	3,779	4,895
Cemetery services	1,841	1,970
Trading of raw marble	11	14,426
	46,438	57,702

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

	Revenues from external customers Nine months ended 30 September	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
The PRC (place of domicile)	42,659	42,883
Taiwan	2,546	14,680
Hong Kong	1,233	139
	46,438	57,702

4. INCOME TAX

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the nine months ended 30 September 2012 (2011: RMB Nil).
- (b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands for the nine months ended 30 September 2012 (2011: RMB Nil).
- (c) The subsidiaries operating in the PRC are subject to enterprise income tax rate at 25% (2011: 25%) in accordance with the Law of the People's Republic of China on Enterprises Income Tax (中華人民共和國企業所得稅法).
- (d) Bau Shan Life Science Technology Co., Ltd., a direct subsidiary of the Company, is subject to enterprise income tax rate at 17% (2011: 17%) in accordance with the Income Tax Act and other relevant laws in Taiwan. No provision for enterprise income tax has been made for Bau De Funeral Services Holdings Co., Ltd., an indirect subsidiary of the Company, as the subsidiary sustained losses for the nine months ended 30 September 2012 (2011: RMB Nil).

5. LOSS PER SHARE

The calculation of the basic loss per share for the three months and nine months ended 30 September 2012 are based on the unaudited loss attributable to owners of the Company of RMB1,065,000 (2011: RMB10,672,000) and loss of RMB11,291,000 (2011: RMB17,050,000) respectively and on the weighted average number of 742,500,000 (2011: 742,500,000) and 742,500,000 (2011: 742,500,000) ordinary shares in issue during the periods.

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

6. DIVIDENDS

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2012 (2011: RMB Nil).

Management Discussion and Analysis

Business review

Funeral business in the PRC continues to be the driving force of the Group's operations. The Group's turnover derived from funeral business in the PRC market for the nine months ended 30 September 2012 was approximately RMB42.7 million, representing an increase of about 11.1% to the corresponding period last year and accounted for about 91.8% of the Group's turnover.

The Group's funeral business in the Hong Kong market showed promising and sustainable signs of growth with an approximate turnover of RMB1.2 million for the nine months ended 30 September 2012 representing a substantial increase of about 787.1% to the corresponding period last year and accounted for approximately 2.7% of the Group's turnover.

The Group's turnover derived from funeral business in the Taiwan market for the nine months ended 30 September 2012 was approximately RMB2.5 million, representing a decrease of approximately 46.5% to the corresponding period last year and accounted for approximately 5.5% of the Group's turnover.

In Taiwan, the Group is principally engaged in the sale of funeral service deeds, which is accounted for by the Group as receipt in advance, and the provision of funeral arrangement services to funeral service Deed Holders and other consumers which are accounted for by the Group as revenue. In light of this decreasing scope of business in Taiwan, the Group will consider directing resources to other markets with higher revenue growth potentials.

The Group's turnover derived from raw marble wholesale business market for the nine months ended 30 September 2012 was approximately RMB0.01 million, representing a notable decrease of 99.9% to the corresponding period last year and accounted for an insignificant amount of the Group's turnover.

It is anticipated that the global economic environment will continue to have an adverse effect on the raw marble wholesale business of the Group. In anticipation of the circumstances surrounding the raw marble wholesale business, the Group will exercise diligent discretion and seek applicable recourse in operating this business unit in the forthcoming period.

Financial review

For the nine months ended 30 September 2012, the overall turnover of the Group arising from principal activities was approximately RMB46.4 million representing a decrease of approximately 19.5% to the corresponding period last year. The decrease in turnover is mainly attributed to the Group's business of raw marble wholesale and the diminishing of sales in the Taiwan market due to strengthened competition.

Cost of Sales for the nine months ended 30 September 2012 was approximately RMB11.5 million, representing a decrease of approximately 50.1% from the corresponding period in last year. The diminishing cost of sales was mainly attributed to the relatively lower activity of the raw marble wholesale business in the record period.

The other revenue and other net gain/(loss) for the nine months ended 30 September 2012 was approximately RMB4.0 million compared with approximately loss of RMB3.8 million for the corresponding period last year. The gain is attributed to a net unrealised gain on financial assets designated as at fair value through profit and loss.

Selling expenses for the nine months ended 30 September 2012 increased by approximately 16.1% to approximately RMB18.9 million as compared with the corresponding period last year. The factors causing the inflated selling expense can be attributed to an increase of commission, rental and management costs in the record period in line with the general inflationary environment in which the Group operates.

Administrative expenses for the nine months ended 30 September 2012 decreased by approximately 0.3% to approximately RMB29.6 million as compared with the corresponding period last year. The decrease in the administrative expenses is attributed to cost control imposed by the Group.

The loss attributable to the shareholders for the nine months ended 30 September 2012 was decreased by approximately 33.8% to approximately RMB11.3 million compared with the corresponding period last year with the decline as a result of the cumulative effect from the above-mentioned factors.

The Group remained in a healthy and sound liquidity position as at 30 September 2012. As at 30 September 2012, the Group had no other material capital commitments, material contracts or significant investment plans, except those disclosed in the listing document. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity facilities to meet operation requirements and acquisition opportunities. The Group's debt to equity ratio, defined as the Group's net debt divided by shareholders' fund, was nil.

Contingent liabilities

As at 30 September 2012, the Group did not have any significant contingent liabilities.

Corporate Governance and Other Information

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

As at 30 September 2012, 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 (Chapter 571 of the Laws of Hong Kong) ("SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Liu Tien-Tsai	Personal	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 30 September 2012, the Company was notified of the following substantial shareholders' interests, being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and chief executive:

Aggregate long positions in the Shares

Name of Shareholders	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Yang YongSheng (note 1)	Personal	36,632,000	4.93%
	Family interest	5,152,000	0.69%
Yu WenPing (note 1)	Personal	5,152,000	0.69%
	Family interest	36,632,000	4.93%

Note:

1. Yu WenPing, the spouse of Yang YongSheng, was deemed to be interested in all the interest of Yang YongSheng and vice versa.

Competing business

As at 30 September 2012, none of the Directors, or any person, who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and which was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective associates (as defined under the GEM Listing Rules), had any interest in a business, which competed or might compete with the business of the Group.

Share Option Scheme

Pursuant to the written resolutions of the shareholders of the Company dated 24 August 2009, a share option scheme ("Share Option Scheme") was approved and adopted. Details of the share options granted and remaining outstanding as at 30 September 2012 are as follows:

Name/category of participants	Date of grant	Exercise price per share	Exercisable period	Number of share options				
				At 1 January 2012	Granted during the period	Reclassification	At 30 September 2012	
Directors of the Company								
Mr. Kim Eun Back	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	2,000,000	-	-	2,000,000
Directors of subsidiaries								
Mr. Mak King Sau	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	1,600,000	-	(1,600,000)	-	-
	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	(1,000,000)	-
Ms. Pan Hsiu-Ying	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	-	1,000,000
Mr. Wang Shun Lang	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	-	1,000,000
Mr. Chung Yuan-Yuan	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	-	1,000,000
Ms. Chang Hui-Lan	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	1,000,000	-	-	1,000,000
Continuous contract employees								
	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	10,836,000	-	-	(412,000)	10,424,000
	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	-	9,920,000	-	(720,000)	9,200,000
Consultants								
	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	40,300,000	-	1,600,000	-	41,900,000
				52,736,000	16,920,000	-	(2,132,000)	67,524,000

Note: Share options to subscribe for 1,600,000 shares was granted to Mr. Mak King Sau ("Mr. Mak") on 11 February 2010. On 26 April 2012, Mr. Mak resigned as the director of Sino-Life Eternities Limited and Sino-Life Eternities Services Limited, the subsidiaries of the Company.

The options granted on 11 February 2010 expire ten years from the date of grant. As at 30 September 2012, 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.

The options granted on 16 January 2012 expire five years from the date of grant and will be exercisable after one year from the date of grant.

Save as disclosed above, as at 30 September 2012, 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.

Purchase, sale or redemption of securities

During the nine months ended 30 September 2012, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

Corporate Governance

For nine months ended 30 September 2012 up to the date hereof, the Company had complied with the code provisions (“Code Provisions”) set out in the Code of Corporate Governance Practices (taking effect before 1 April 2012) and the Corporate Governance Code (taking effect from 1 April 2012) as contained in Appendix 15 to the GEM Listing Rules, except for Code Provision A.2.1.

Code Provision A.2.1 provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of Chairman of the Board and Chief Executive Officer (“CEO”) of the Company are both currently carried on by Mr. Liu Tien-Tsai. The Board considers that the Group’s size is still relatively small and thus not justified in separating the role of Chairman and CEO. The Group has in place internal control system to perform the check and balance function. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

Securities Transactions by Directors

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

Audit Committee

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

The audit committee has reviewed the financial statements of the Group for the nine months ended 30 September 2012 pursuant to the relevant provisions contained in the Code Provisions and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 9 November 2012

As at the date hereof, the Board comprises Mr. Liu Tien-Tsai, Mr. Ting Yung-chieh and Mr. Kim Eun Back being executive Directors of the Company; and Mr. Chai Chung Wai, Mr. Ching Clement Yat-biu, and Mr. Lee Koon Hung being independent non-executive Directors of the Company.