



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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 announcement, 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 announcement.*

*This announcement, 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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## **FINANCIAL HIGHLIGHTS**

- Turnover of the Group for the year ended 31 December 2012 amounted to RMB61.8 million (2011: RMB72.5 million), representing a decrease of 14.8% as compared with year 2011.
- Loss attributable to owners of the Company for the year ended 31 December 2012 amounted to RMB29.5 million (2011: RMB30.1 million).
- Basic loss per share for the year ended 31 December 2012 amounted to RMB3.97 cents (2011: RMB4.05 cents).
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: RMBNil).

## FINAL RESULTS

The board of directors (the “Board”) of the Company hereby presents the following audited consolidated results of the Group for the year ended 31 December 2012 together with the comparative audited figures for year 2011. These results have been reviewed by the audit committee of the Board.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
<b>Turnover</b>	3(a)	61,767	72,521
Cost of sales		(15,479)	(26,957)
<b>Gross profit</b>		46,288	45,564
Other revenue	4	1,540	3,482
Other net gain/(loss)	4	5,502	(3,005)
Selling expenses		(25,116)	(26,672)
Administrative expenses		(44,103)	(43,141)
Other operating expenses		(12,439)	(3,890)
<b>Loss from operations</b>		(28,328)	(27,662)
Finance costs	5(a)	(237)	(285)
<b>Loss before taxation</b>	5	(28,565)	(27,947)
Income tax	6	(1,224)	(1,769)
<b>Loss for the year</b>		(29,789)	(29,716)
<b>Other comprehensive income/(loss) for the year (after tax)</b>			
Surplus/(deficit) on revaluation of land and buildings held for own use		580	(1,269)
Exchange differences on translation of financial statements of operations outside the People's Republic of China (“non-PRC operations”)			
– Exchange differences arising during the year		(309)	(10,570)
– Reclassification adjustments relating to non-PRC operations disposed of during the year		(76)	–
		(385)	(10,570)
Other comprehensive income/(loss) for the year, net of tax		195	(11,839)
<b>Total comprehensive loss for the year, net of tax</b>		<b>(29,594)</b>	<b>(41,555)</b>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		(29,487)	(30,079)
Non-controlling interests		(302)	363
		<b>(29,789)</b>	<b>(29,716)</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(29,170)	(41,893)
Non-controlling interests		(424)	338
		<b>(29,594)</b>	<b>(41,555)</b>
<b>Loss per share</b>	7		
Basic and diluted		<b>RMB(3.97) cents</b>	<b>RMB(4.05) cents</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		55,866	43,544
Prepaid lease payments		3,835	–
Intangible assets		2	2
Deposit for acquisition of property		–	6,231
Deposits for hire of funeral parlours and funeral services centres	9	3,700	7,250
		<b>63,403</b>	<b>57,027</b>
<b>CURRENT ASSETS</b>			
Financial assets designated as at fair value through profit or loss		42,603	38,971
Development and formation costs		5,164	–
Inventories		996	9,072
Tax recoverable		440	393
Trade and other receivables	9	55,709	72,528
Prepaid lease payments		82	–
Pledged bank deposits		17,869	–
Cash and cash equivalents		159,729	194,171
		<b>282,592</b>	<b>315,135</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	9,597	14,854
Receipts in advance	11	104,686	108,410
Current portion of bank borrowings		10,699	594
Current portion of other loans		213	194
Obligation under finance lease		–	9
Current taxation		946	1,146
		<b>(126,141)</b>	<b>(125,207)</b>
<b>NET CURRENT ASSETS</b>		<b>156,451</b>	<b>189,928</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>219,854</b>	<b>246,955</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		9,448	9,750
Other loans		112	313
		<b>(9,560)</b>	<b>(10,063)</b>
<b>NET ASSETS</b>		<b>210,294</b>	<b>236,892</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		69,218	69,218
Reserves		136,917	164,621
		<b>206,135</b>	<b>233,839</b>
<b>Non-controlling interests</b>		<b>4,159</b>	<b>3,053</b>
<b>TOTAL EQUITY</b>		<b>210,294</b>	<b>236,892</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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
<b>At 1 January 2011</b>	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 on translation of financial statements of non-PRC operations	-	-	-	-	-	-	(10,545)	-	-	(10,545)	(25)	(10,570)
Other comprehensive loss	-	-	-	-	-	(1,269)	(10,545)	-	-	(11,814)	(25)	(11,839)
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	-	2,931	2,931
Decrease in non-controlling interests arising on acquisition of additional interests in a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	(2)	(2)
<b>At 31 December 2011</b>	<b>69,218</b>	<b>220,633</b>	<b>(16,261)</b>	<b>225</b>	<b>1,550</b>	<b>487</b>	<b>(11,775)</b>	<b>6,339</b>	<b>(36,577)</b>	<b>233,839</b>	<b>3,053</b>	<b>236,892</b>
<b>At 1 January 2012</b>	<b>69,218</b>	<b>220,633</b>	<b>(16,261)</b>	<b>225</b>	<b>1,550</b>	<b>487</b>	<b>(11,775)</b>	<b>6,339</b>	<b>(36,577)</b>	<b>233,839</b>	<b>3,053</b>	<b>236,892</b>
Loss for the year	-	-	-	-	-	-	-	-	(29,487)	(29,487)	(302)	(29,789)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	580	-	-	-	580	-	580
Exchange differences on translation of financial statements of non-PRC operations	-	-	-	-	-	-	(263)	-	-	(263)	(122)	(385)
Other comprehensive income	-	-	-	-	-	580	(263)	-	-	317	(122)	195
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	580	(263)	-	(29,487)	(29,170)	(424)	(29,594)
Equity-settled share-based transactions	-	-	-	-	-	-	-	1,466	-	1,466	-	1,466
Lapse of share options granted	-	-	-	-	-	-	-	(85)	85	-	-	-
Capital contributions received by non-wholly owned subsidiaries from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,532	1,532
Decrease in non-controlling interests arising on acquisition of additional interests in a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	(2)	(2)
<b>At 31 December 2012</b>	<b>69,218</b>	<b>220,633</b>	<b>(16,261)</b>	<b>225</b>	<b>1,550</b>	<b>1,067</b>	<b>(12,038)</b>	<b>7,720</b>	<b>(65,979)</b>	<b>206,135</b>	<b>4,159</b>	<b>210,294</b>

# NOTES TO THE CONSOLIDATED 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 Shops 1-4, G/F Lok Ka House, 240-242 Chatham Road North, 1A-1C Baker Street, Kowloon, Hong Kong respectively.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Company is United States dollars (“US\$”). The functional currency of its subsidiaries are Renminbi (“RMB”), New Taiwan dollars (“NTD”), US\$ and Hong Kong dollars (“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.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

- Amendments to HKFRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to HKAS 12, *Deferred Tax: Recovery of Underlying Assets*

As described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

### **Amendments to HKFRS 7, Disclosures – Transfers of Financial Assets**

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

## Amendments to HKAS 12, Deferred Tax: Recovery of Underlying Assets

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property stated at fair value under HKAS 40 *Investment Property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The application of the amendments to HKAS 12 does not have impact as the Group currently does not have any investment property.

### 3. 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 during the year is as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Funeral services provided in funeral parlours and funeral service centres under the Group's management	42,721	38,981
Cremation services	11,332	10,658
Funeral arrangement services	5,220	6,101
Cemetery services	2,483	2,486
Trading of raw marble	11	14,295
	<u>61,767</u>	<u>72,521</u>

#### (b) Segment information

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.

Segment results represent the profit/(loss) earned/(suffered) by each segment without allocation of other revenue and other net gain/(loss), 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 and amortisation, loss on disposal of property, plant and equipment, impairment losses, gain on disposal of subsidiaries, income tax expenses, loss on derecognition of assets 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 years ended 31 December 2012 and 2011 is set out below:

	Year ended 31 December 2012				Total <i>RMB'000</i>
	Funeral services		PRC <i>RMB'000</i>	Trading of raw marble <i>RMB'000</i>	
	Taiwan <i>RMB'000</i>	Hong Kong <i>RMB'000</i>			
Reportable segment revenue					
– Revenue from external customers	<u>3,451</u>	<u>1,769</u>	<u>56,536</u>	<u>11</u>	<u>61,767</u>
Reportable segment loss	<u>(2,518)</u>	<u>(1,843)</u>	<u>(11,827)</u>	<u>(682)</u>	<u>(16,870)</u>
Interest income	3	–	108	–	111
Interest expense	226	1	–	–	227
Depreciation and amortisation for the year	215	342	3,429	35	4,021
Loss on disposal of property, plant and equipment	–	–	31	–	31
Impairment loss on other receivables	–	–	760	–	760
Gain on disposal of subsidiaries	–	–	–	734	734
Income tax expense	–	–	1,224	–	1,224
Loss on derecognition of assets	–	–	11,275	–	11,275
Reportable segment assets	202,406	1,289	46,919	4,398	255,012
Additions to non-current segment assets during the year	769	29	5,658	28	6,484
Reportable segment liabilities	<u>115,356</u>	<u>484</u>	<u>7,649</u>	<u>116</u>	<u>123,605</u>

## Year ended 31 December 2011

	Taiwan	Funeral services Hong Kong	PRC	Trading of raw marble	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue					
– Revenue from external customers	<u>5,887</u>	<u>214</u>	<u>52,125</u>	<u>14,295</u>	<u>72,521</u>
Reportable segment (loss)/profit	<u>(572)</u>	<u>(3,881)</u>	<u>(10,226)</u>	<u>1,019</u>	<u>(13,660)</u>
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 loss on prepayments and other receivable	–	–	3,670	–	3,670
Income tax expense	664	–	1,105	–	1,769
Reportable segment assets	192,568	1,087	59,916	15,204	268,775
Additions to non-current segment assets during the year	396	55	10,805	728	11,984
Reportable segment liabilities	<u>119,945</u>	<u>183</u>	<u>5,839</u>	<u>7,758</u>	<u>133,725</u>

There are no inter-segment sales during the year (2011: Nil).

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<b>Revenue</b>		
Total reportable segment revenue and consolidated turnover	<u>61,767</u>	<u>72,521</u>
<b>Profit or loss</b>		
Reportable segment loss derived from Group's		
external customers	(16,870)	(13,660)
Other revenue	1,540	3,482
Other net gain/(loss)	5,502	(3,005)
Finance costs	(237)	(285)
Unallocated head office and corporate expenses		
– Depreciation and amortisation	(418)	(87)
– Auditors' remuneration	(1,120)	(1,146)
– Legal and professional fee	(2,759)	(2,981)
– Staff costs (including directors' remunerations)	(8,587)	(4,604)
– Operating lease charges: minimum lease payments	(436)	(394)
– Equity-settled share-based payment expenses	(761)	(1,624)
– Others	(4,419)	(3,643)
Consolidated loss before taxation	<u>(28,565)</u>	<u>(27,947)</u>
<b>Assets</b>		
Total reportable segment assets	255,012	268,775
Unallocated head office and corporate assets		
– Pledged bank deposits	17,869	–
– Cash and cash equivalents	56,225	98,916
– Development and formation costs	5,164	–
– Prepayments	3,361	3,706
– Property, plant and equipment	7,645	539
– Others	719	226
Consolidated total assets	<u>345,995</u>	<u>372,162</u>
<b>Liabilities</b>		
Total reportable segment liabilities	123,605	133,725
Unallocated head office and corporate liabilities		
– Bank borrowings	10,073	–
– Others	2,023	1,545
Consolidated total liabilities	<u>135,701</u>	<u>135,270</u>

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

	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Other items</b>		
Interest income		
Reportable segment total	<b>111</b>	17
Unallocated head office and corporate total	<b>508</b>	2,931
Consolidated total	<b>619</b>	2,948
Interest expense		
Reportable segment total	<b>227</b>	261
Unallocated head office and corporate total	<b>10</b>	24
Consolidated total	<b>237</b>	285
Depreciation and amortisation		
Reportable segment total	<b>4,021</b>	4,103
Unallocated head office and corporate total	<b>418</b>	87
Consolidated total	<b>4,439</b>	4,190
Loss on disposal of property, plant and equipment		
Reportable segment total	<b>31</b>	–
Unallocated head office and corporate total	<b>75</b>	–
Consolidated total	<b>106</b>	–
Additions to non-current segment assets during the year		
Reportable segment total	<b>6,484</b>	11,984
Unallocated head office and corporate total	<b>7,669</b>	576
Consolidated total	<b>14,153</b>	12,560

### ***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, prepaid lease payments, 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, prepaid lease payments, 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.

	<b>Revenue from external customers</b>		<b>Non-current assets</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>	<b>RMB'000</b>	<i>RMB'000</i>
The PRC (place of domicile)	<b>56,547</b>	56,607	<b>32,877</b>	28,792
Taiwan	<b>3,451</b>	15,700	<b>29,129</b>	26,984
Hong Kong	<b>1,769</b>	214	<b>1,049</b>	1,251
Vietnam	<b>–</b>	–	<b>348</b>	–
	<b>5,220</b>	15,914	<b>30,526</b>	28,235
	<b>61,767</b>	72,521	<b>63,403</b>	57,027

### ***Revenue from major products and services***

	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
Funeral services provided in funeral parlours and funeral service centres under the Group's management	<b>42,721</b>	38,981
Cremation services	<b>11,332</b>	10,658
Funeral arrangement services	<b>5,220</b>	6,101
Cemetery services	<b>2,483</b>	2,486
Trading of raw marble	<b>11</b>	14,295
	<b>61,767</b>	72,521

### ***Information about major customers***

For the years ended 31 December 2012 and 2011, revenue from any single external customer does not amount to 10% or more of the Group's revenue.

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<b>Other revenue</b>		
Interest income on bank deposits	609	18
Interest income on coupon bonds	<u>10</u>	<u>2,930</u>
Total interest income on financial assets not at fair value through profit or loss	619	2,948
Commission income	–	14
Dividend income	–	346
Sundry income	909	174
Rental income	<u>12</u>	<u>–</u>
	<u>1,540</u>	<u>3,482</u>
<b>Other net gain/(loss)</b>		
Gain on disposal of subsidiaries	734	–
Loss on disposal of property, plant and equipment	(106)	–
Surplus on revaluation of land and buildings held for own use	117	391
Net exchange gain/(loss)	2,657	(985)
Net loss on foreign exchange forward contracts	(87)	–
Net gain on terminated and lapsed funeral services deeds	558	707
Net realised loss on trading securities	–	(1,492)
Net realised and unrealised gain/(loss) on financial assets designated as at FVTPL	<u>1,629</u>	<u>(1,626)</u>
	<u>5,502</u>	<u>(3,005)</u>
	<u>7,042</u>	<u>477</u>

## 5. LOSS BEFORE TAXATION

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<b>(a) Finance costs</b>		
Interests on bank borrowings and other loans		
– wholly repayable within 5 years	40	83
– not wholly repayable within 5 years	196	200
Finance charges on obligation under finance lease	<u>1</u>	<u>2</u>
Total interest expenses on financial liabilities not at FVTPL	<u><u>237</u></u>	<u><u>285</u></u>
The amount of finance costs includes bank borrowings which contain a repayment on demand clause in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the year ended 31 December 2012, the interest on bank borrowings which contain a repayment on demand clause amounted to RMB10,000 (2011: RMB Nil).		
<b>(b) Staff costs (including directors' remunerations)</b>		
Salaries, wages and other benefits	20,276	18,521
Equity-settled share-based payment expenses	705	520
Contributions to defined contribution retirement plans	<u>1,856</u>	<u>1,709</u>
	<u><u>22,837</u></u>	<u><u>20,750</u></u>
<b>(c) Other items</b>		
Amortisation of intangible assets	–	2
Amortisation of prepaid lease payments	14	–
Auditors' remuneration	1,120	1,146
Cost of inventories	8,692	20,486
Depreciation		
– assets held for own use under finance leases	<u>4</u>	<u>4</u>
– other assets	<u>4,421</u>	<u>4,184</u>
	4,425	4,188
Operating lease charges: minimum lease payments		
– rented premises	<u>1,294</u>	<u>1,349</u>
<i>Less:</i> sub-leasing rental income	<u>(12)</u>	<u>–</u>
	1,282	1,349
– hire of plant and equipment	336	357
– hire of funeral parlours and funeral service centres	13,324	13,894
Operating lease charges: contingent rents		
– hire of funeral parlours and funeral service centres	301	–
Impairment loss on prepayments ( <i>note (i)</i> )	–	3,500
Impairment loss on other receivables	760	170
Loss on derecognition of assets ( <i>note (ii)</i> )	11,275	–
Equity-settled share-based payment expenses	<u><u>761</u></u>	<u><u>1,624</u></u>

*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 was therefore recognised which was included in “other operating expenses” in the consolidated statement of comprehensive income.
- (ii) This comprise of (i) compensation loss; and (ii) loss arising from the derecognition of property, plant and equipment and prepayments for repair and maintenance and consumables upon the termination of operation of An Fu Tang Funeral Service Centre (安福堂治喪中心) (“An Fu Tang”) for the year ended 31 December 2012.

On 3 February 2010, a management agreement was entered into between Xibao Technology and Chongqing An Fu Funeral Services Limited (the “An Fu Owner”) and supplemental management agreement was entered into between Xibao Technology and the An Fu Owner on 28 February 2011 concerning the management of An Fu Tang (collectively “An Fu Tang Management Agreements”). Pursuant to the An Fu Tang Management Agreements, the duration for the management of An Fu Tang is five years from 1 March 2010 to 28 February 2015. During the tenure of the An Fu Tang 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 and is required to pay a deposit and annual management fee to the An Fu Owner.

During the year ended 31 December 2012, the directors of the Group reassessed the performance of the An Fu Tang and considered that due to the continuing loss-making of An Fu Tang, it is of the Group’s best interest to terminate the management of An Fu Tang and accordingly the Group can allocate its financial and operational resources with improved efficiency to other operating units within the Group. Furthermore, the directors of the Group considered that the freed up resources enable the Group to seek other profitable business opportunities to further enhance the operations, financial condition and results of the Group.

Accordingly, on 15 June 2012, a rescission agreement and a settlement were entered into between Xibao Technology and the An Fu Owner, pursuant to which the An Fu Tang Management Agreements were terminated with effect from 31 May 2012. As a result, Xibao Technology has ceased the management of the operations of An Fu Tang. After the further discussion and negotiations among the An Fu Owner and Xibao Technology, a supplemental settlement was agreed between Xibao Technology and the An Fu Owner on 31 December 2012 as the final and conclusive settlement, pursuant to which the prepaid deposit, unutilised prepaid annual management fee and the receivable due by the An Fu Owner to Xibao Technology was waived by Xibao Technology as a compensation to the An Fu Owner due to the early termination of the An Fu Tang Management Agreements. The total loss on derecognition of assets of RMB11,275,000 is included in “other operating expenses” in the consolidated statement of comprehensive income.



## 6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Provision of current tax for the year		
– PRC Enterprise Income Tax ( <i>note (c)</i> )	1,087	1,105
– Taiwan Enterprise Income Tax ( <i>note (d)</i> )	–	63
	<u>1,087</u>	<u>1,168</u>
Under-provision of current tax in prior years		
– PRC Enterprise Income Tax	137	–
– Taiwan Enterprise Income Tax	–	601
	<u>137</u>	<u>601</u>
	<u><u>1,224</u></u>	<u><u>1,769</u></u>

### 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 2012 (2011: RMBNil).
- (b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the British Virgin Islands for the year ended 31 December 2012 (2011: RMBNil).
- (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 ) except that Chongqing Xizhou Funeral Service Company Limited (“Xizhou”), an indirect wholly-owned subsidiary of the Company, is entitled to a preferential tax rate of 15% for the enterprise income tax in accordance with 西部大開發企業所得稅優惠, which is retrospectively applied to Xizhou from January 2011 and, provided that the conditions precedent to entitlement of preferential tax rate are fulfilled by Xizhou in each of subsequent years, the preferential tax rate can be applied to Xizhou up to December 2020.
- (d) No provision for enterprise income tax has been made for Bau Shan Life Science Technology Co., Ltd. (“Bau Shan”), a direct subsidiary of the Company and Bau De Funeral Services Holdings Co., Ltd. (“Bau De”), an indirect subsidiary of the Company, as the subsidiaries sustained losses for the year ended 31 December 2012 (2011: Bau Shan was subject to enterprise income tax rate at 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 as the subsidiary sustained losses).
- (e) Bao Son Life Company Limited (“Bao Son Life”) and Hoan Loc Viet Duc Hoa Corporation (“HLV Duc Hoa”), the indirect non-wholly-owned subsidiaries of the Company, are subject to Vietnam Corporate Income Tax at 25% on taxable profits determined in accordance with the relevant laws and regulations in Vietnam. No provision for Vietnam Corporate Income Tax has been made as Bao Son Life and HLV Duc Hoa have no assessable profits for the year ended 31 December 2012.

## 7. LOSS PER SHARE

### (a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately RMB29,487,000 (2011: RMB30,079,000) and the weighted average number of 742,500,000 ordinary shares (2011: 742,500,000 ordinary shares) in issue during the year.

### (b) Diluted loss per share

Diluted loss per share is same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2012 and 2011.

## 8. DIVIDENDS

The directors do not recommend payment of any dividend for the year ended 31 December 2012 (2011: RMBNil).

## 9. TRADE AND OTHER RECEIVABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Trade receivables ( <i>note (c)</i> )	70	3,682
<i>Less: allowance for impairment loss</i>	<u>—</u>	<u>—</u>
	70	3,682
Bills receivable	—	1,500
Other receivables ( <i>note (d)</i> )	3,337	11,559
<i>Less: allowance for impairment loss (note (e))</i>	<u>(930)</u>	<u>(170)</u>
	2,407	11,389
Loans and receivables	2,477	16,571
Deposits and prepayments ( <i>note (f)</i> )	<u>56,932</u>	<u>63,207</u>
	<u>59,409</u>	<u>79,778</u>
Representing:		
Current	55,709	72,528
Non-current	<u>3,700</u>	<u>7,250</u>
	<u>59,409</u>	<u>79,778</u>

*Notes:*

- (a) All of the loans and receivables are expected to be recovered within one year and prepayments are expected to be recognised as expense within one year. Deposits expected to be recovered after more than one year is RMB3,700,000 (2011: RMB7,250,000).
- (b) The carrying amounts of trade and other receivables approximate to their fair values.
- (c) Trade receivables are net of allowance for doubtful debts of RMBNil (2011: RMBNil) 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:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
0 to 180 days	70	2,667
181 days to 365 days	-	-
Over 1 year	-	1,015
	<u>70</u>	<u>3,682</u>

The average credit period on sales granted to customers of funeral services segments is 45 days.

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 RMB814,000 (2011: RMB1,079,000) and RMBNil (2011: RMB5,035,000) 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 other receivables are unsecured, interest free and repayable on demand.

Other receivables that were neither past due nor impaired relate to a wide range of debtors for whom there was no recent history of default. Management believes that no impairment allowance is necessary in respect of the non-impaired balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(e) **Impairment of other receivables**

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 allowance for impairment loss***

	<b>2012</b> <b><i>RMB'000</i></b>	2011 <i>RMB'000</i>
At 1 January	<b>170</b>	–
Impairment loss recognised	<b>760</b>	170
At 31 December	<b>930</b>	170

As at 31 December 2012, other receivables of the Group amounting to RMB930,000 (2011: RMB170,000) was individually determined to be impaired. The individually impaired receivables were due from debtors with financial difficulties. Accordingly, an impairment loss of RMB760,000 (2011: RMB170,000) was recognised during the year.

- (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 RMB3,700,000 (2011: RMB7,250,000), RMB12,798,000 (2011: RMB11,195,000) and RMB32,954,000 (2011: RMB34,445,000) 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:

	<b>2012</b> <b><i>RMB'000</i></b>	2011 <i>RMB'000</i>
Neither past due nor impaired	<b>40</b>	2,667
Past due but not impaired		
Less than 1 month past due	<b>18</b>	–
1 to 3 months past due	<b>12</b>	–
Over 3 months past due	<b>–</b>	1,015
	<b>30</b>	1,015
	<b>70</b>	3,682

Receivables that were neither past due nor impaired relate to various customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to 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 there has not been a significant change in credit quality and the balances are fully recovered subsequent to the year end date.

#### 10. TRADE AND OTHER PAYABLES

	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables ( <i>note (c)</i> )	<b>1,660</b>	8,189
Accruals and other payables	<b>7,850</b>	6,665
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	<b>9,510</b>	14,854
Derivative financial liabilities	<b>87</b>	–
	<hr/>	<hr/>
	<b>9,597</b>	14,854
	<hr/> <hr/>	<hr/> <hr/>

#### *Notes:*

- (a) All of the trade and other payables are expected to be settled within one year or are repayable on demand.
- (b) The carrying amounts of trade and other payables approximate to their fair values.
- (c) The following is an ageing analysis of trade payables, based on the date of receipt of goods or services rendered, at the end of the reporting period:

	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 30 days	<b>998</b>	2,903
31 days to 90 days	<b>203</b>	1,814
Over 90 days	<b>459</b>	3,472
	<hr/>	<hr/>
	<b>1,660</b>	8,189
	<hr/> <hr/>	<hr/> <hr/>

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.

## 11. RECEIPTS IN ADVANCE

Bau Shan and Sino-Life (Hong Kong) Limited (“Sino-Life (HK)”), subsidiaries 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 120 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 2012, the Group has deposited approximately RMB41,466,000 (2011: RMB40,710,000) 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 RMB558,000 (2011: RMB707,000) in “other net gain/(loss)” in the consolidated statement of comprehensive income for the year.

## 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 year ended 31 December 2012 was approximately RMB56.5 million, representing an increase of about 8.5% to the corresponding period last year and accounted for about 91.4% of the Group's turnover.

During 20 to 22 November 2012, the Group participated in the "5th China International Funeral Expo 2012" held in Wuhan City. Through this expo, the Group presented its high quality and professional services to industry counterparts in China, and thus laying a good foundation for the Group's future expansion into other service regions in China. This had significantly enhanced the opportunities in business co-operation with industry counterparts.

The Group's funeral business in the Hong Kong market showed promising and sustainable signs of growth with an approximate turnover of RMB1.8 million for the year ended 31 December 2012 representing a substantial increase of about 726.6% to the corresponding period last year and accounted for approximately 2.9% of the Group's turnover.

The Group's turnover derived from funeral business in the Taiwan market for the year ended 31 December 2012 was approximately RMB3.5 million, representing a decrease of approximately 40.7% to the corresponding period last year and accounted for approximately 5.7% of the Group's turnover. 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 year ended 31 December 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.

## Prospects

Looking ahead, apart from the funeral business in the PRC, Taiwan and Hong Kong, the Group is also committed to exploring the funeral business outside the Greater China region. On 6 December 2012, the Group entered into a share transfer contract to prepare for the acquisition of the 80% equity interest of a Vietnamese company which has acquired the land use right of a piece of land in Vietnam, which is formally designated for use as cemetery in the categorization of land for different uses by the Vietnamese government and the expected total investment amounted to VND40,000,000,000 (equivalent to approximately RMB12,000,000).

On the other hand, the Group entered into a management and construction technical support contract (the “Support Contract”) on 4 January 2013, and the Group will be mainly responsible for supporting the overall planning and design of a cemetery park located in Beijing as well as the technical and financial support for the construction of cemetery and tombstone under the contract. The Group will entitle to share 63% of the profit therein.

Furthermore, on 12 January 2013, the Group entered into an agreement (“Cooperation Agreement”) with an independent third party in relation to the cooperative service project at Beijing City Pinggu District Funeral Parlour, and the Group will be mainly responsible for the market research and development and provision of technical staff and equipment required for its operation. The Group will be entitled to 70% of the pre-tax turnover to be generated from the Cooperation Agreement. The term of the Cooperation Agreement is 3 years. After the end of the Cooperation Agreement, the Group has the right to automatically extend the Cooperation Agreement for five years.

The PRC and Hong Kong will continue to be the Group’s key development regions, and Vietnam will also become another region with huge development potential for the Group in the coming year. The management of the Group will continue to apply its professional and distinctive business model effectively in different regions, and simultaneously envisage other regions with huge potential and opportunities, thereby expanding our business coverage.



## Financial review

### *Turnover*

The turnover arising from principal activities for the year ended 31 December 2012 was approximately RMB61.8 million (2011: approximately RMB72.5 million), representing a decrease of approximately 14.8% as compared to 2011. 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. Regarding to the funeral services business provided in the PRC during the year, the turnover was approximately RMB56.5 million (2011: approximately RMB52.1 million), representing an increase of approximately 8.5% which accounted for 91.4% of the Group's turnover (2011: 71.9%). The turnover generated by the funeral services business provided in Taiwan was approximately RMB3.5 million (2011: approximately RMB5.9 million), or 5.7% of the Group's turnover, representing a decrease of approximately 40.7% due to strengthened competition in Taiwan. The turnover generated by the funeral services business provided in Hong Kong was approximately RMB1.8 million (2011: approximately RMB0.2 million), or 2.9% of the Group's turnover, representing an increase of approximately 726.6%

The turnover from the funeral service provided in funeral parlour and funeral service centres under the Group's management increased by 9.5%, amounting to approximately RMB42.7 million (2011: approximately RMB39.0 million). The rise was mainly due to the increase in the number of funeral services provided from 2,601 for 2011 to 2,996 for 2012. However, the average spending per service provided slightly decrease to approximately RMB14,259 for 2012 (2011: approximately RMB14,987) which resulted from cessation of the management of the operation of An Fu Tang which average spending per service provided is higher than the overall average spending.

The turnover from the cremation services increased by 5.6%, amounting to approximately RMB11.3 million (2011: approximately RMB10.7 million). The increase was due to the increase in the average spending per service provided from approximately RMB1,261 for 2011 to approximately RMB1,381. However, there was slightly decrease in the number of cremation services provided from 8,454 for 2011 to 8,207 for 2012. 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 RMB3.5 million and RMB1.8 million respectively (2011: approximately RMB5.9 million and RMB0.2 million), representing a decline of 40.7% and increase of 726.6% respectively over last year. The decline in Taiwan business 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 provided in Taiwan dropped in 2012 and resulted in the decrease in the total turnover here.

### ***Gross Profit and Gross Profit Margin***

Gross profit slightly increase by 1.5% to approximately RMB46.3 million (2011: approximately RMB45.6 million), and gross profit margin increased to approximately 74.9% (2011: approximately 62.9%). The gross profit margin of funeral services provided in funeral parlour and funeral service centres under the Group's management increased to approximately 77.6% (2011: approximately 74.8%) which was mainly due to the increase in the turnover from the funeral service provided which reduce the cost sharing of each funeral service. The gross profit margin of cremation services slightly decreased to approximately 83.4% (2011: approximately 85.9%) which was mainly due to the net effect of increase in average spending per service by 9.5% and increase in fuel cost for cremation and that of funeral arrangement services decreased to approximately 33.8% (2011: approximately 40.6%).

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; and (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.

### ***Selling and Administrative Expenses***

Selling expenses decreased by approximately 6.0% to approximately RMB25.1 million (2011: approximately RMB26.7 million). The decrease was mainly attributable to net effect of the Group's decreased rental and management costs due to the cessation of the management of the operation of An Fu Tang and increase in agency costs resulting from the increase in the turnover from funeral services provided in funeral parlours and funeral service centres under the Group's management. The proportion of selling expenses to turnover was approximately 40.6% (2011: approximately 36.8%). Administrative expenses rose by approximately 2.3% to approximately RMB44.1 million (2011: approximately RMB43.1 million) as a result of 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; and the preliminary expenses incurred for the expansion of new business location in the PRC and Vietnam. The proportion of administrative expenses to turnover was approximately 71.4% (2011: approximately 59.5%). Finance costs remained nearly the same of approximately RMB0.2 million (2011: approximately RMB0.3 million) because of the decline in bank interest rates. Income tax expense decreased by approximately 33.3% to approximately RMB1.2 million (2011: approximately RMB1.8 million).

## ***Loss for the Year***

In 2012, loss attributable to owners of the Company for the year was approximately RMB29.5 million (2011: approximately RMB30.1 million). The decrease in loss for the year ended 31 December 2012 was mainly due to the net effect of (i) increase in the gross profit; (ii) increase in other revenue and other net gain as there was an increase in value of financial assets designated as at fair value through profit or loss and (iii) increase in other operating expenses.

## **Liquidity, Financial Resources and Capital Structure**

The Group maintains a stable financial position. As at 31 December 2012, the Group had bank balances and cash of approximately RMB177.6 million (2011: approximately RMB194.2 million) and bank and other loans and obligation under finance lease of approximately RMB20.5 million (2011: approximately RMB10.9 million). Approximately RMB10.1 million and RMB10.4 million of bank and other loans were denominated in United States Dollars and New Taiwan Dollars respectively, 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 5.9% as at 31 December 2012 (2011: 2.9%).

## **Exposure to Fluctuation in Exchange Rates**

During the year, the Group's major operations were geographically based in the PRC, Taiwan and Hong Kong. The revenue derived from Taiwan and Hong Kong accounted for approximately 8.5% (2011: approximately 21.9%) 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, New Taiwan Dollar and Hong Kong Dollar. It is possible that the value of Renminbi may fluctuate in value against that of the United States Dollar, New Taiwan Dollar and Hong Kong 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, New Taiwan Dollar and Hong Kong Dollar, in which the Group's revenue and expenses are denominated. As at 31 December 2012, 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.

## **Significant Acquisitions and Disposal of Investments**

For the year ended 31 December 2012, the Group did not have any significant acquisition or disposal of investment.

## **The Number and Remuneration of Employees**

As at 31 December 2012, the Group employed approximately 339 employees (2011: 390 employees). The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

## **Charge on Group Assets**

The carrying amounts of property, plant and equipment and bank deposits pledged as security for the Group's bank borrowings and other loans were approximately RMB21.3 million and RMB17.9 million respectively (2011: RMB20.1 million and RMBNil respectively).

## **Contingent Liabilities**

As at 31 December 2012, the Group did not have any contingent liabilities (2011: Nil).

## **Capital Expenditure**

For the year ended 31 December 2012, capital expenditure of the Group for property, plant and equipment amounted to approximately RMB14.2 million (2011: approximately RMB12.6 million).

## **Capital Commitments**

As at 31 December 2012, the Group had capital expenditure contracted for but not provided for in the financial statements amounting to approximately RMB15.1 million (2011: approximately RMB7.1 million).

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

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

As at 31 December 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 (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***

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
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 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***

<b>Name of shareholders</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Yang Yong Sheng ( <i>note 1</i> )	Personal	36,632,000	4.93%
	Family interest	5,152,000	0.69%
Yu Wen Ping ( <i>note 1</i> )	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.

## **Competing business**

As at 31 December 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. 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 (i) any employee or proposed employee of the Company and/or any of its subsidiaries or any entity (“Invested Entity”) in which the Group holds an equity interest, including any executive directors and any non-executive directors (including independent non-executive directors) of the Company, any of such subsidiaries or any Invested Entity; 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 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) For the options granted in 2010, they are exercisable starting half year from the grant date. 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.

For the options granted in 2012, they are exercisable starting one year from the grant date. The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 5 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 non-refundable 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 2012 are as follows:

Name/category of participants	Date of grant	Exercise price per share	Exercisable period	Number of share options				At 31 December 2012
				At 1 January 2012	Granted during the period	Reclassification	Lapsed	
<b>Directors of the Company</b>								
Mr. Kim Eun Back	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	–	2,000,000	–	–	2,000,000
<b>Directors of subsidiaries</b>								
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
<b>Continuous contract employees</b>								
	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	10,836,000	–	–	(664,000)	10,172,000
	16 January 2012	HK\$0.60	16 January 2013 to 15 January 2017	–	9,920,000	–	(1,960,000)	7,960,000
<b>Consultants</b>								
	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	40,300,000	–	1,600,000	–	41,900,000
				<u>52,736,000</u>	<u>16,920,000</u>	<u>–</u>	<u>(3,624,000)</u>	<u>66,032,000</u>

*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 2011 expire ten years from the date of grant. As at 31 December 2012, 2,572,000 of 52,072,000 options (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 49,500,000 of 52,072,000 options (2011: 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 of 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 31 December 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**

For the year ended 31 December 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**

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 and Corporate Governance Report (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 separated 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.

## **REMUNERATION COMMITTEE**

The Company has established a remuneration committee (the “Remuneration Committee”) in August 2009 which consists of three independent non-executive Directors, namely Mr. Chai Chung Wai (Chairman), Mr. Ching Clement Yat-biu and Mr. Lee Koon Hung. During the year, the Remuneration Committee has reviewed the remuneration package of the Board members and the senior management of the Company. The major responsibilities of the Remuneration Committee include (i) making recommendations to the Board on the Company’s policy and structure for all remuneration of Directors and senior management; (ii) determining the specific remuneration packages of all executive directors and senior management; (iii) reviewing and approving performance based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and (iv) reviewing and approving the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

## **NOMINATION COMMITTEE**

The Company has established a nomination committee (the “Nomination Committee”) in August 2009 which consists of three independent non-executive Directors, namely Mr. Lee Koon Hung (Chairman), Mr. Ching Clement Yat-biu and Mr. Chai Chung Wai. During the year, the Nomination Committee has reviewed the appointment of the Board members of the Company. The major responsibilities of the Nomination Committee include (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) identifying individuals suitably qualified to become Board members and making recommendations to the Board on the selection of individuals nominated for directorships; (iii) assessing the independence of independent non-executive Directors; and (iv) making recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) in August 2009 which consists of three independent non-executive Directors, namely Mr. Ching Clement Yat-biu (Chairman), Mr. Chai Chung Wai and Mr. Lee Koon Hung. During the year, the Audit Committee has reviewed the quarterly, half-yearly and annual reports before submission to the Board. The Audit Committee focused 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. The major responsibilities of the Audit Committee include (i) making recommendation to the Board on the appointment, reappointment and removal of external auditor; (ii) reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; (iii) monitoring the integrity of the Company’s financial statements, annual report and accounts, half-yearly report and, quarterly reports; (iv) liaising with the Board and the senior management and to meet with the auditors; (v) reviewing the Company’s financial controls, internal control and risk management systems; and (vi) reviewing the financial and accounting policies and practices of the Group.

The Group’s audited consolidated results for the year ended 31 December 2012 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **ANNUAL GENERAL MEETING**

The 2013 Annual General Meeting of the Company will be held on 15 May 2013, Wednesday and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 9 May 2013, Thursday to 15 May 2013, Wednesday (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending at the annual general meeting of the Company to be held on 15 May 2013, Wednesday, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 8 May 2013, Wednesday.

## **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 2012.

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

Hong Kong, 20 March 2013

*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.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for 7 days from the date of its posting. This announcement will also be posted on the Company's website at <http://www.sinolifegroup.com>.*