# HONG KONG LIFE GROUP HOLDINGS LIMITED
# 香港生命集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8212)**

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

**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 investment 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**



*This announcement, for which the directors (the "Directors") of Hong Kong Life Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## FINAL RESULTS

The board of Directors (the "Board") of Hong Kong Life Group Holdings Limited (the "Company") presents the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2011, together with the comparative figures for the year ended 30 June 2010, as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 30 June 2011*

| | *Note* | **2011** *HK$'000* | 2010 *HK$'000* |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | **13,771** | 3,780 |
| Cost of goods sold | | **(6,293)** | (3,763) |
| Gross profit | | **7,478** | 17 |
| Other income | 5 | **173** | 1,207 |
| Selling expenses | | **(5,781)** | – |
| Administrative expenses | | **(56,507)** | (38,148) |
| **Loss from operations** | | **(54,637)** | (36,924) |
| Finance costs | 7 | **(61,521)** | (24,969) |
| Gain on disposal of subsidiaries | | **20,738** | – |
| Share of loss of a jointly controlled entity | | **(18)** | – |
| **Loss before tax** | | **(95,438)** | (61,893) |
| Income tax expense | 8 | **–** | – |
| **Loss for the year from continuing operations** | 9 | **(95,438)** | (61,893) |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | | **–** | 190,979 |
| **(Loss)/profit for the year** | | **(95,438)** | 129,086 |

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Attributable to:** | | | |
| Owners of the Company | | | |
| Loss from continuing operations | | **(95,347)** | (61,928) |
| Profit from discontinued operations | | **–** | 190,979 |
| (Loss)/profit attributable to owners of the Company | | **(95,347)** | 129,051 |
| Non-controlling interests | | | |
| (Loss)/profit from continuing operations | | **(91)** | 35 |
| Profit from discontinued operations | | **–** | – |
| (Loss)/profit attributable to non-controlling interests | | **(91)** | 35 |
| | | **(95,438)** | 129,086 |
| **(Loss)/earnings per share** | 11 | | (restated) |
| From continuing and discontinued operations | | | |
| – basic | | **(HK$1.58)** | HK$7.94 |
| – diluted | | **N/A** | N/A |
| From continuing operations | | | |
| – basic | | **(HK$1.58)** | (HK$3.81) |
| – diluted | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 30 June 2011*

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (restated) |
| **(Loss)/profit for the year** | **(95,438)** | 129,086 |
| **Other comprehensive income:** | | |
| Exchange differences reclassified to income statement on disposal of subsidiaries | **(4,260)** | (19,990) |
| Exchange differences on translating foreign operations | **96** | 486 |
| **Other comprehensive income for the year, net of tax** | **(4,164)** | (19,054) |
| **Total comprehensive income for the year** | **(99,602)** | 109,582 |
| **Attributable to:** | | |
| Owners of the Company | **(99,520)** | 109,401 |
| Non-controlling interests | **(82)** | 181 |
| | **(99,602)** | 109,582 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2011*

| | Note | **2011** | 2010 | 2009 |
|---|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* | *HK$'000* |
| | | | (restated) | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **977** | 769 | 45 |
| Prepaid lease payments | | **26,765** | 25,465 | – |
| Investment in a jointly controlled entity | | **64,982** | – | – |
| Goodwill | | **939,415** | 939,415 | – |
| | | **1,032,139** | 965,649 | 45 |
| **Current assets** | | | | |
| Inventories | | **61** | – | – |
| Properties held for sale | | **21,585** | – | – |
| Properties under development | | **7,030** | 15,890 | – |
| Trade and other receivables and prepayments | 12 | **21,232** | 5,752 | 34,995 |
| Financial assets at fair value through profit or loss | | **7,719** | – | – |
| Current tax assets | | **–** | 10 | 1 |
| Assets classified as held for sale | | **–** | – | 350,193 |
| Bank and cash balances | | **20,976** | 8,930 | 1,990 |
| | | **78,603** | 30,582 | 387,179 |
| **Current liabilities** | | | | |
| Trade and other payables and accrued liabilities | 13 | **37,085** | 35,164 | 10,739 |
| Borrowings | | **–** | – | 36,145 |
| Liabilities associated with assets classified as held for sale | | **–** | – | 123,825 |
| | | **37,085** | 35,164 | 170,709 |
| **Net current assets/(liabilities)** | | **41,518** | (4,582) | 216,470 |
| **Total assets less current liabilities** | | **1,073,657** | 961,067 | 216,515 |

| | Note | **2011** | 2010 | 2009 |
|---|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* | *HK$'000* |
| | | | (restated) | |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | | **263** | 263 | – |
| Borrowings | | **–** | 87,205 | – |
| Convertible bonds | | **110,824** | 252,672 | 303,244 |
| | | **111,087** | 340,140 | 303,244 |
| **NET ASSETS/(LIABILITIES)** | | **962,570** | 620,927 | (86,729) |
| **Capital and reserves** | | | | |
| Share capital | | **213,700** | 33,837 | 17,628 |
| Reserves | | **746,413** | 569,452 | (119,412) |
| Equity attributable to owners of the Company | | **960,113** | 603,289 | (101,784) |
| Non-controlling interests | | **2,457** | 17,638 | 15,055 |
| **TOTAL EQUITY** | | **962,570** | 620,927 | (86,729) |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 30 June 2011*

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** *HK$'000* | **Share premium** *HK$'000* (restated) | **Convertible bonds reserve** *HK$'000* (restated) | **Foreign currency translation reserve** *HK$'000* | **Capital reserve** *HK$'000* | **Share option reserve** *HK$'000* | **Accumulated losses** *HK$'000* | **Discontinued operations** *HK$'000* | **Total** *HK$'000* (restated) | **Non-controlling interests** *HK$'000* | **Total equity** *HK$'000* (restated) |
| At 1 July 2009 | 17,628 | 96,722 | 10,712 | 4,090 | 15,826 | – | (266,752) | 19,990 | (101,784) | 15,055 | (86,729) |
| Redemption of convertible bonds reserve | – | – | (10,712) | – | – | – | 10,712 | – | – | – | – |
| Acquisition of a subsidiary | – | – | – | – | – | – | – | – | – | 2,402 | 2,402 |
| Issue of convertible bonds | – | – | 356,280 | – | – | – | – | – | 356,280 | – | 356,280 |
| Shares issued on exercise of options | 187 | 1,757 | – | – | – | – | – | – | 1,944 | – | 1,944 |
| Placing of shares | 1,600 | 37,400 | – | – | – | – | – | – | 39,000 | – | 39,000 |
| Subscription of shares | 1,222 | 37,428 | – | – | – | – | – | – | 38,650 | – | 38,650 |
| Issue of shares on exercise of convertible bonds | 13,200 | 284,919 | (138,321) | – | – | – | – | – | 159,798 | – | 159,798 |
| Total comprehensive income for the year | – | – | – | 340 | – | – | 129,051 | (19,990) | 109,401 | 181 | 109,582 |
| Changes in equity for the year | 16,209 | 361,504 | 207,247 | 340 | – | – | 139,763 | (19,990) | 705,073 | 2,583 | 707,656 |
| At 30 June 2010 and 1 July 2010 | 33,837 | 458,226 | 217,959 | 4,430 | 15,826 | – | (126,989) | – | 603,289 | 17,638 | 620,927 |
| Placing of shares | 36,357 | 10,786 | – | – | – | – | – | – | 47,143 | – | 47,143 |
| Issue of shares on exercise of convertible bonds | 19,373 | 279,090 | (134,129) | – | – | – | – | – | 164,334 | – | 164,334 |
| Share-based payments | – | – | – | – | – | 1,847 | – | – | 1,847 | – | 1,847 |
| Issue of rights shares | 124,133 | 118,887 | – | – | – | – | – | – | 243,020 | – | 243,020 |
| Disposal of subsidiaries | – | – | – | – | – | – | – | – | – | (15,099) | (15,099) |
| Total comprehensive income for the year | – | – | – | (4,173) | – | – | (95,347) | – | (99,520) | (82) | (99,602) |
| Changes in equity for the year | 179,863 | 408,763 | (134,129) | (4,173) | – | 1,847 | (95,347) | – | 356,824 | (15,181) | 341,643 |
| **At 30 June 2011** | **213,700** | **866,989** | **83,830** | **257** | **15,826** | **1,847** | **(222,336)** | **-** | **960,113** | **2,457** | **962,570** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2011*

### 1. GOING CONCERN BASIS

**The Judicial Review**

On 22 October 2010, the Planning Department of the Government of Hong Kong Special Administrative Region issued notices under Section 23(1) of the Town Planning Ordinance to six subsidiaries of the Company (the "Six Subsidiaries") alleged that there is unauthorised development by way of columbarium use and/or storage use on certain leasehold land (the "Land") owned by the Six Subsidiaries (the "Notices"). These Notices required that the alleged unauthorised development be discontinued by 22 April 2011.

On 21 January 2011, the Six Subsidiaries of the Company applied to court (the "Applicants") for leave to apply for judicial review against the Notices. On 31 January 2011 the High Court of the Hong Kong Special Administrative Region has granted leave to the Applicants to apply for judicial review (the "Judicial Review") against the Notices.

On 14 February 2011, Originating Summons was taken out in which the Applicants sought the following relief, inter alia that:

(a) an order of certiorari to bring up and quash the decision of the Director of Planning (the "Respondent") to issue the enforcement notices under Section 23(1) of the Town Planning Ordinance ("TPO"), against the Applicants dated 22 October 2010;

(b) A declaration that there is no unauthorised development by way of columbarium use and/or storage use or howsoever at all on the Land or any part thereof;

(c) A declaration that the Applicants' use of the Land falls within the permitted "shrine" use under the Ngau Tam Mei Outline Zoning Plan;

(d) A direction under the Rules of the High Court that the grant of leave shall operate as a stay of the enforcement proceedings under Section 23 of the TPO until the determination of the Judicial Review or until the Court otherwise orders.

On 26 July 2011, the Judicial Review was heard at the High Court. After hearing the submission from both the Applicants and the Respondent, the Judge reserved his judgment to a date to be announced. As of the date of this announcement, the Judge has not yet given his judgment.

During the acquisition of Casdon Management Limited ("Casdon") (collectively the "Acquisition A") and the acquisition of investment in jointly controlled entity (the "JV Acquisition"), there was a put option granted by the vendor and the guarantors of the Acquisition A (the "Vendor A"), and another put option granted by the vendor of JV Acquisition ("Vendor B") to the Group (collectively the "Put Options"). Pursuant to the Put Options, the Group shall be entitled to exercise the Put Options in the period of 24 months from the date of completion of the acquisitions upon the occurrence of certain events as stipulated in the agreements (the "Trigger Events"). According to the sales and purchase agreements of the Acquisition A and the JV Acquisition, the unfavourable outcome of the Juridical Review is one of the Trigger Events which the Group can exercise the Put Options.

In the opinion of Directors, should the outcome/judgment of the Judicial Review turn out to be unfavourable to the Group, the Group would exercise the Put Options immediately. Upon the exercise of the Put Options, the Group would put to the Vendor A, as at 30 June 2011, assets and liabilities of the segment of provision of shrine for memorial ancestor amounted to approximately HK$1,000,718,000 and HK$37,040,000 respectively, to demand for (i) cancellation of convertible bonds of approximately HK$110,824,000 and HK$83,830,000, the amortised cost of principal amount of HK$200,000,000 convertible bonds outstanding at 30 June 2011, included in the current liabilities and equity respectively; (ii) repayment of the settled promissory notes with principal amount of HK$150,000,000 and the converted convertible bonds with principal amount of HK$650,000,000 up to 30 June 2011; and (iii) HK$85,000,000 in cash. Accordingly, a receivable due from Vendor A amounts to HK$1,085,000,000, which was equivalent to the consideration of the Acquisition A would be recognised. In respect of the JV acquisition, the investment cost amounted to HK$65,000,000 would be put back to Vendor B and a corresponding receivable would be recognised at the same time. The directors do not consider that there would be significant impact to the consolidated income statement upon the exercise of these Put Options.

In the opinion of the Directors, should the Put Options were exercised and the receivables from Vendor A and Vendor B were doubtful, the Group will be able to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

## 2. RETROSPECTIVE RESTATEMENTS

During the preparation of the Group's consolidated financial statements for the year ended 30 June 2011, the Group has made several prior year adjustments ("Prior Year Adjustments") in its consolidated financial statements for the year ended 30 June 2010. The Prior Year Adjustments mainly included adjustments to the accounting treatments of an acquisition completed by the Group in relation to the Acquisition A.

(i) During the course of the Acquisition A, the Group determined the fair value of the prepaid lease payments owned by Casdon as at 27 May 2010 based on the consideration paid by Casdon in acquiring 11 companies holding the pieces of land (the "Land Companies"), together with the original acquisition costs of the land incurred by individual Land Companies.

Subsequent to the date of the financial statements for the year ended 30 June 2010, the Directors had obtained a valuation report issued by an independent surveyor regarding the fair values of the identifiable assets and liabilities of Casdon as at 27 May 2010. As mentioned in this valuation report, the fair value of the prepaid lease payments should be HK$25,465,000 at 27 May 2010. Accordingly, the Directors considered the fair value of the prepaid lease payments at the date of the Acquisition A was overstated and the corresponding goodwill arised from the Acquisition A was understated.

(ii) The Group issued convertible bonds as part of the considerations of the Acquisition A. The Group first determined the fair value of the liability component, and the equity component was assigned the residual amount after deducting the fair value of the liability component from the principal amount of the convertible bonds.

In accordance with HKFRS 3 Business Combination, the consideration transferred in a business combination shall be measured at fair value. The Group has discovered the above error and accordingly remeasured the equity component at fair value at the date of Acquisition A.

The effects of the Prior Years Adjustments on the Group's consolidated statement of financial position as at 30 June 2010 are summarised as follows:

**Consolidated statement of financial position**

| | **As at 30 June 2010** | |
|---|---|---|
| | **As previously reported** | **As restated** |
| | *HK$'000* | *HK$'000* |
| Non-current assets | | |
| Goodwill | 904,550 | 939,415 |
| Prepaid lease payments | 139,984 | 25,465 |
| Current assets | | |
| Prepaid lease payments | 3,888 | – |
| Non-current liabilities | | |
| Deferred tax liabilities | – | (263) |
| Reserves | | |
| Share premium | (490,107) | (458,226) |
| Convertible bond reserve | (269,883) | (217,959) |

The Directors also reclassified the current portion of prepaid lease payments to non-current portion in which the Directors considered would be a more appropriate presentation.

(iii) Included in the consolidated statement of changes in equity for the year ended 30 June 2010 was exchange differences related to disposed subsidiaries amounted to approximately HK$19,990,000. This amount was reclassified to the consolidated statement of comprehensive income for the year ended 30 June 2010. The effect on the other comprehensive income and total comprehensive income are as follows:

| | **For the year ended 30 June 2010** | |
|---|---|---|
| | **As previously reported** | **As restated** |
| | *HK$'000* | *HK$'000* |
| Other comprehensive income | 486 | (19,504) |
| Total comprehensive income | 129,572 | 109,582 |

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 July 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 4. REVENUE

The Group's revenue which represents revenue from transfer of contractual exclusive usage right of shrine for memorial ancestor and sales of goods to customers is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue from transfer of contractual exclusive usage right of shrine for memorial ancestor | **13,668** | – |
| Sales of goods | **103** | 3,780 |
| | **13,771** | 3,780 |

## 5. OTHER INCOME

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income | **1** | 525 |
| Gain on disposal of property, plant and equipments | **3** | – |
| Sundry income | **169** | 682 |
| | **173** | 1,207 |

## 6. SEGMENT INFORMATION

**Information about reportable segment revenue, profit or loss, assets and liabilities:**

| | Continuing operations | | | |
|---|---|---|---|---|
| | **Trading of edible oil and mineral materials** | **Provision of shrine for memorial ancestor** | **Paper-offering business** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Year ended 30 June 2011 | | | | |
| Revenue from external customers | **–** | **13,668** | **103** | **13,771** |
| Segment loss | **(196)** | **(26,085)** | **(221)** | **(26,502)** |
| Depreciation and amortisation | **–** | **1,246** | **–** | **1,246** |
| Additions to segment non-current assets | **–** | **802** | **–** | **802** |
| As at 30 June 2011 | | | | |
| Segment assets | **1,223** | **1,000,718** | **548** | **1,002,489** |
| Segment liabilities | **(27)** | **(37,040)** | **(18)** | **(37,085)** |

| | Continuing operations | | | |
|---|---|---|---|---|
| | Trading of edible oil and mineral materials | Provision of shrine for memorial of ancestor | Paper-offering business | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Year ended 30 June 2010 | | | | |
| Revenue from external customers | 3,780 | – | – | 3,780 |
| Segment loss | (63) | (5,917) | (45) | (6,025) |
| Depreciation and amortisation | – | 22 | – | 22 |
| Additions to segment non-current assets | – | 690 | – | 690 |
| As at 30 June 2010 | | | | |
| Segment assets | 1,266 | 988,288 | 414 | 989,968 |
| Segment liabilities | (46) | (31,090) | (5) | (31,141) |

**Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:**

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit or loss** | | |
| Total loss of reportable segments | **(26,502)** | (6,025) |
| Interest income | **1** | 525 |
| Interest expenses | **(61,521)** | (24,969) |
| Gain on disposal of subsidiaries | **20,738** | – |
| Loss on disposal of financial assets at fair value through profit or loss | **(2,070)** | – |
| Loss on fair value change of financial assets at fair value through profit or loss | **(1,074)** | – |
| Share of loss of a jointly controlled entity | **(18)** | – |
| Profit for the year from discontinued operation | **–** | 190,979 |
| Corporate income | **172** | 682 |
| Corporate expenses | **(25,164)** | (32,106) |
| Consolidated (loss)/profit for the year | **(95,438)** | 129,086 |

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (restated) |
| **Assets** | | |
| Total assets of reportable segments | **1,002,489** | 989,968 |
| Investment in a jointly controlled entity | **64,982** | – |
| Deposits, prepayment and other receivables | **16,000** | 243 |
| Financial assets at fair value through profit or loss | **7,719** | – |
| Cash and bank balances | **19,552** | 6,020 |
| Consolidated total assets | **1,110,742** | 996,231 |

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (restated) |
| **Liabilities** | | |
| Total liabilities of reportable segments | **37,085** | 31,141 |
| Other payables | **–** | 4,023 |
| Deferred tax liabilities | **263** | 263 |
| Borrowings | **–** | 87,205 |
| Convertible bonds | **110,824** | 252,672 |
| Consolidated total liabilities | **148,172** | 375,304 |

**Geographical information:**

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **13,771** | – | **1,032,139** | 965,627 |
| South East Asia | **–** | 3,780 | **–** | 22 |
| Consolidated total | **13,771** | 3,780 | **1,032,139** | 965,649 |

In presenting the geographical information, revenue is based on the locations of the customers.

None of the Group's customers had individually accounted for over 10% of the Group's revenue for the years ended 30 June 2010 and 2011.

## 7. FINANCE COSTS

| | 2011 | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on borrowings | **190** | 1,134 |
| Imputed interest on convertible bonds | **22,486** | 22,923 |
| Interest on other loans | **50** | – |
| Imputed interest on unsecured promissory note | **38,795** | 912 |
| | **61,521** | 24,969 |

## 8. INCOME TAX EXPENSE

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

## 9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations is stated after charging/(crediting) the following:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | ***HK$'000*** |
| Depreciation | **539** | 42 |
| Directors' emoluments | | |
| – As directors | **1,098** | 395 |
| – For management | **6,683** | 1,715 |
| | **7,781** | 2,110 |
| Gain on disposals of property, plant and equipment | **(3)** | – |
| Auditors' remuneration | | |
| – Current | **450** | 2,741 |
| – Under-provision in prior year | **(1)** | (24) |
| | **449** | 2,717 |
| Cost of inventories sold | **6,293** | 3,763 |
| Operating lease expenses | **1,224** | 234 |
| Gain on disposal of subsidiaries | **(20,738)** | – |
| Loss on disposal of financial assets at fair value through profit or loss | **2,070** | – |
| Loss on fair value change of financial assets at fair value through profit or loss | **1,074** | – |
| Staff costs including directors' emoluments | | |
| – Salaries, bonus and allowances | **9,281** | 3,266 |
| – Equity-settled share-based payments | **1,847** | – |
| – Retirement benefits scheme contributions | **126** | 44 |
| | **11,254** | 3,310 |

## 10. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2011 (2010: Nil). No dividend has been proposed since the end of the reporting date (2010: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

### (a) From continuing and discontinued operations

*Basic (loss)/earnings per share*

The calculation of basic (loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the (loss)/profit for the year attributable to owners of the Company:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attribute to owners of the Company | **(95,347)** | (61,928) |
| Add: profit for the year from discontinued operations | **–** | 190,979 |
| (Loss)/profit for the purpose of basic (loss)/earnings per share from continuing and discontinued operations | **(95,347)** | 129,051 |

**Number of shares**

| | **2011** | 2010 |
|---|---|---|
| | ***'000*** | *'000* |
| | | (restated) |
| Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share | **60,385** | 16,249 |
| Basic (loss)/earnings per share from continuing and discontinued operations | **(HK$1.58)** | HK$7.94 |

*Diluted (loss)/earnings per share*

Diluted (loss)/earnings per share from continuing and discontinued operations for the year ended 30 June 2011 and 2010 have not been presented, as the outstanding convertible bonds had an anti-dilutive effect.

### (b) From continuing operations

*Basic loss per share*

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attribute to owners of the Company | **(95,347)** | (61,928) |

**Number of shares**

| | **2011** | 2010 |
|---|---|---|
| | ***'000*** | *'000* |
| | | (restated) |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **60,385** | 16,249 |
| Basic loss per share from continuing operations | **(HK$1.58)** | (HK$3.81) |

*Diluted loss per share*

Diluted loss per share from continuing operations for the years ended 30 June 2010 and 2011 have not been presented, as the outstanding convertible bonds had an anti-dilutive effect.

## 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | **Group** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **3,596** | 10 |
| Other receivables and prepayments | **17,636** | 5,742 |
| | **21,232** | 5,752 |

The Group's trading terms with customers are mainly on installment basis (2010: on credit basis). The credit terms are generally 30 days on installment term (2010: 180 days on credit term).

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

| | **Group** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **15** | – |
| 91 to 180 days | **–** | 10 |
| 181 to 365 days | **3,581** | – |
| | **3,596** | 10 |

As of 30 June 2011, trade receivables of approximately HK$1,037,000 (2010: Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables based on due date is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not yet overdue | **2,559** | – |
| Up to 3 months | **525** | – |
| 3 to 6 months | **512** | – |
| | **3,596** | – |

## 13. TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **45** | 27 |
| Other payables and accrued liabilities | **37,040** | 35,137 |
| | **37,085** | 35,164 |

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

| | **Group** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **18** | – |
| 91 to 180 days | **–** | 27 |
| 181 to 365 days | **–** | – |
| Over 365 days | **27** | – |
| | **45** | 27 |

## 14. EVENTS AFTER THE REPORTING PERIOD

(i) On 2 July 2011, a total of HK$10,000,000 convertible bonds due 27 May 2016 ("Convertible Bonds") were redeemed pursuant to the terms and conditions of the Convertible Bonds. As of the date of this announcement, the outstanding principal of the Convertible Bonds amounted to HK$190,000,000.

(ii) On 14 July 2011, the Board proposed a share consolidation of every 20 unissued and issued Shares of HK$0.10 each into one consolidated share ("Share Consolidation") of HK$2.00 each ("Consolidated Share").

Subject to the Share Consolidation becoming effective, the Board proposed to effect the capital reduction of the par value of each issued Consolidated Share from HK$2.00 to HK$0.0001 by cancelling paid up capital to the extent of HK$1.9999 on each issued Consolidated Share ("Capital Reduction") and the sub-division of each authorised but unissued Consolidated Share into 20,000 new shares of HK$0.0001 each ("Sub-division").

The Share Consolidation, Capital Reduction and Sub-division were approved by shareholders of the Company at the extraordinary general meeting held on 22 August 2011. The Share Consolidation became effective on 23 August 2011. The Capital Reduction and Sub-division are conditional upon the following:

(1) the Court approving the Capital Reduction and compliance with any conditions the Court may impose;

(2) the registration of the Court order confirming the Capital Reduction and minutes approved by the Court containing the particulars required under the Companies Law of the Cayman Islands with respect to the Capital Reduction with the Registrar of the Companies of the Cayman Islands; and

(3) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the New Shares to be in issue upon the Capital Reduction and the Sub-division becoming effective.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following are extracted from the independent auditor's report with modification:

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2011, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Emphasis of Matter – material uncertainty regarding the going concern assumption

Without qualifying our opinion, we draw attention to the financial statements which mentions that the Group incurred a loss of approximately HK$95,438,000 for the year ended 30 June 2011, and as at 30 June 2011, the Group had an outstanding case of judicial review taken out by the Group against the notices under section 23(1) of the Town Planning Ordinance issued by the Planning Department of the Government of the Hong Kong Special Administrative Region to the subsidiaries of the Group alleging unauthorised development by way of columbarium use and/or storage use on certain leasehold land owned by the Group. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group's overall revenue of approximately HK$13.8 million for the year ended 30 June 2011, representing an increase of approximately HK$10.0 million or 263.2% as compared to the year ended 30 June 2010. The significant increase was primarily attributable to the revenue contributed by the provision of shrine amounted to approximately HK$13.7 million for the year under review.

For the year ended 30 June 2011, the Group's gross profit margin increased from 0.45% to 54.3%. The increased revenue, together with the refined margin, resulted in a significant improvement of gross profit from approximately HK$17,000 in 2010 to approximately HK$7.5 million in 2011.

The selling expense was a commission relating to provision of shrine and paper-offering business of approximately HK$5.8 million in 2011 (2010: Nil).

The administrative expenses were augmented by approximately HK$18.4 million, a 48.3% increase to HK$56.5 million in 2011 from approximately HK$38.1 million in 2010. Such increase mainly attributed to the legal and professional fee of approximately HK$33.1 million (2010: approximately HK$19.5 million), including legal fee for the judicial review and consultancy services for development of the site.

Finance costs increased by approximately HK$36.5 million to approximately HK$61.5 million from approximately HK$25.0 million in prior year which was mainly due to increase in imputed interest expense on settlement of outstanding promissory note of approximately HK$38.8 million in 2011 (2010: approximately HK$0.9 million). As a result of the settlement, the gearing of the Group has further been improved.

During the year, the Group recorded a net gain on disposal of non-core subsidiaries amounting to approximately HK$20.7 million.

Compared with the year of 2010, the Group's LBITDA (Loss before interest, tax, depreciation and amortisation) from continuing operations slightly decreased by approximately HK$4.2 million from approximately HK$36.9 million to approximately HK$32.7 million in 2011.

**Business Review and Prospect**

*Shrine Business*

Owing to the publication of the government list on the Review of Columbarium Policy in December 2010, most of the privately-run columbarium, including the Group's shrine project in Yuen Long, Hong Kong was classified on List 2, the overall business of the industry has been adversely affected. The sale of ancestral shrines of the Group was slow down since the third quarter of the Financial Year.

In October 2010, the Planning Department issued Notices under section 23(1) of the Town Planning Ordinance to six subsidiaries of the Company requiring the Group to discontinue the uses over the land or premises owned by the Group. The Group issued the Originating Summons to apply for judicial review against the Notices in February 2011 and the judicial review was heard on 26 July 2011 at the High Court. The Judge at the High Court reserved his judgment to a date to be announced. As at the date of this announcement, the judgment has not been given.

In respect of the preliminary proposals for a licensing scheme on the private columbarium, the second public consultation on a more detailed framework of the licensing scheme is still stagnant and has no progress. Nevertheless, the Group is ready for complying with the requisite requirements of the licensing scheme. Based on the growing needs of columbarium and shrines in Hong Kong, the Board is confident in regaining positive growth in our shrine business.

*Paper-offering Business*

During the year, only small amount of orders for the paper-offering products were placed from customers in Hong Kong. With the increased promotion and visibility of the brand name "SKEA" in Hong Kong and the introduction of new products, the Group is confident that the business of paper-offering will have a stable growth in the coming years. We will explore other markets to promote the high-quality paper-offering products in order to achieve a better contribution to the Group's turnover.

*Edible Oil Trading Business*

Following the disposal of the Company's entire interest in Good United Management Limited ("GUM") in February 2011, the Company ceased to have any interest in the natural gas business. The edible oil trading business suffered tough setbacks as a result of the slow recovery of the global market. To streamline the business segments of the Group, the Directors will take appropriate measures to consolidate the Group's operations in the coming year.

**Liquidity and Financial Resources**

As at 30 June 2011, the Group held total assets of approximately HK$1.1 billion (2010: approximately HK$1.0 billion), including cash and bank balances of approximately HK$21.0 million (2010: approximately HK$8.9 million). The significant increase in assets was mainly due to the recognition of goodwill arising from the acquisition of Casdon Management Limited ("Casdon") of approximately HK$0.9 billion.

As at 30 June 2011, the Group had total liabilities of approximately HK$148.2 million (2010: HK$375.3 million) which includes convertible bonds of approximately HK$110.8 million.

During the year, the Company raised fund from the subscription of 74,100,000 shares, the rights issue of 1,241,331,426 shares and the placing of 356,160,000 shares of approximately HK$290.2 million.

As at 30 June 2011, the gearing ratio, expressed as a percentage of total debts over total assets was approximately 13.5% (2010: 37.5%).

**Contingent Liabilities**

As at 30 June 2011, the Group had no contingent liabilities (2010: Nil).

**Dividend**

The Board does not recommend the payment of a final dividend for the year ended 30 June 2011 (2010: Nil).

**Charge on Group Assets**

As at 30 June 2011, the Group did not have any charge on its assets (2010: Nil).

**Capital Structure**

During August 2010, the Company entered into a subscription agreement with a subscriber to issue and allot 74,100,000 shares of HK$0.01 each to the subscriber at a price of HK$0.17 per share.

During October 2010, the Company proposed a share consolidation of every ten issued and unissued shares of HK$0.01 each into one consolidated share of HK$0.10 each and a rights issue on the basis of three rights shares for every one consolidated share held. The share consolidation became effective on 3 December 2010. During January 2011, 1,241,331,426 rights shares were allotted and issued to the qualifying shareholders at a subscription price of HK$0.20 per rights share.

During November 2010, the Company repurchased 8 shares of HK$0.01 each of the Company on the Stock Exchange at a cash consideration of HK$0.42. These 8 shares were cancelled on 24 November 2010.

The Board proposed to increase the authorised share capital of the Company from HK$200,000,000 to HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each by the creation of an additional 8,000,000,000 shares of HK$0.10 each. The ordinary resolution to increase the authorised share capital was passed by shareholders of the Company at the extraordinary general meeting held on 6 April 2011.

During May 2011, the Company issued and allotted 356,160,000 placing shares of HK$0.10 each at the placing price of HK$0.10 per placing share to not less than six placees pursuant to the placing agreement.

During the year ended 30 June 2011, a total of 680,000,000 shares of HK$0.01 each (prior to the share consolidation became effective on 3 December 2010) and 125,733,444 shares of HK$0.10 each (after the share consolidation became effective on 3 December 2010) of the Company were issued as a result of the conversion of convertible bonds issued by the Company on 27 May 2010.

As at 30 June 2011, the total number of issued shares of the Company was 2,137,002,012 shares of HK$0.10 each (30 June 2010: 3,383,671,428 shares of HK$0.01 each).

**Exposure to Fluctuation in Exchange Rates and Related Hedges**

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year.

**Employees and Remuneration Policies**

As at 30 June 2011, the Group had 15 staffs (30 June 2010: 17 staffs). The total staff costs and Directors' remuneration for the year were approximately HK$11.3 million. The Group's remuneration policy is formulated on the basis of the performance and experience of individual employee and is in line with the market practices. The Group offers to its employees other fringe benefits including medical benefits. Share options may be granted to employees based on performance evaluation in order to provide incentives and rewards.

**Significant Investment**

The Group has invested in shares of certain companies which are traded on the Stock Exchange. As at 30 June 2011, the Group held a balance of financial assets at fair value through profit and loss amounted to approximately HK$7.7 million (2010: Nil).

**Material Acquisition and Disposal**

On 14 January 2011, Casdon entered into a sale and purchase agreement with Advant Gain Holdings Limited ("Advant Gain") in relation to the acquisition of 50% equity interest in Max Strong Limited ("Max Strong"), a wholly-owned subsidiary of Advant Gain. Max Strong, through its wholly-owned subsidiary, Noble Best Investment Limited, held 10% interests in the lands and houses in Yuen Long, Hong Kong.

Following the disposal of natural gas joint ventures and the termination of profit sharing rights with respect to the Xin Jiang Oilfield in financial year ended 30 June 2010, the Company entered into a sale and purchase agreement on 28 February 2011 with Rayman Holdings Limited, a third party independent of the Company and its connected persons, in relation to the disposal of its entire interest in GUM, which was principally engaged in the natural gas joint venture business, to Rayman Holdings Limited at a consideration of US$1. The disposal was completed on 28 February 2011.

On 3 June 2011, the Company entered into a memorandum of understanding with the vendor in relation to the proposed acquisition of the entire issued share capital in On Yan Investments Limited ("On Yan") which is interested in the sole and exclusive operating and selling rights of a cemetery located in Guangdong Province, the PRC. On 11 August 2011, the Company and the vendor of On Yan entered into a supplemental memorandum of understanding to extend the period of entering into a legally binding sale and purchase agreement to 31 October 2011.

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

The Company issued and allotted 74,100,000 shares of HK$0.01 each to a subscriber at a price of HK$0.17 per share in August 2010 and, in May 2011, 356,160,000 shares of HK$0.10 each were successfully placed by the placing agent to not less than six placees at the placing price of HK$0.10 per share.

During November 2010, the Company repurchased 8 shares of HK$0.01 each of the Company on the Stock Exchange at a cash consideration of HK$0.42. These 8 shares were cancelled in November 2010.

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

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code Provisions"), contained in Appendix 15 of the GEM Listing Rules during the year ended 30 June 2011 except that the non-executive directors are not appointed with specific terms.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the Directors throughout the year.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises three members, namely Ms. Li Mei Kuen (chairman), Mr. Siu Kwok Chung and Mr. Sit Bun, all of them are Independent Non-executive Directors. The Audit Committee has reviewed the financial statements for the year ended 30 June 2011 and discussed the internal controls with the management.

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

Hong Kong, 23 September 2011

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

*Executive Directors*
Mr. Lam Wai Pong
Mr. Lau Chi Kwong
Ms. Leung Wai Kuen Cerene

*Independent Non-executive Directors*
Ms. Li Mei Kuen
Mr. Siu Kwok Chung
Mr. Sit Bun

*Non-executive Director*
Mr. Poon Lai Yin Michael

*This announcement will remain on the website of GEM at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days and on the website of the Company at www.hk-lifegroup.com.*