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 2010

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.

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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 2010 amounted to RMB67.6 million (2009: RMB47.5 million), representing an increase of 42.3% as compared with year 2009.

- Profits attributable to owners of the Company for the year ended 31 December 2010 amounted to RMB1.1 million (2009: RMB12.5 million), representing a decrease of 91.2% as compared with year 2009.

- Basic earnings per share for the year ended 31 December 2010 amounted to RMB0.16 cents (2009: RMB2.48 cents).

- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: RMBNil).

FINAL RESULTS

The board of directors (the "Board") of the Company is pleased to present the following audited consolidated results of the Group for the year ended 31 December 2010 together with the comparative audited figures for year 2009. These results have been reviewed by the audit committee of the Board.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Turnover	4(a)	**67,600**	47,544
Cost of sales		**(17,237)**	(13,406)
Gross profit		**50,363**	34,138
Other revenue	5	**6,319**	7,295
Other net gain/(loss)	5	**2,691**	4,271
Selling expenses		**(19,149)**	(11,731)
Administrative expenses		**(33,116)**	(14,368)
Other operating expenses		**(1,457)**	(2,101)
Profit from operations		**5,651**	17,504
Finance costs	6(a)	**(296)**	(724)
Profit before taxation	6	**5,355**	16,780
Income tax	7	**(4,435)**	(4,317)
Profit for the year		**920**	12,463
Other comprehensive loss for the year (after tax and reclassification adjustments)			
Surplus on revaluation of land and buildings held for own use		**905**	526
Exchange differences on translation of financial statements of foreign operations		**(3,225)**	(965)
Other comprehensive loss for the year, net of tax		**(2,320)**	(439)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(1,400)**	12,024
Profit/(loss) attributable to:			
Owners of the Company		**1,105**	12,463
Non-controlling interest		**(185)**	–
		920	12,463
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(1,167)**	12,024
Non-controlling interest		**(233)**	–
		(1,400)	12,024
Earnings per share	8		
Basic and diluted		**RMB0.16 cents**	RMB2.48 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**46,491**	38,741
Intangible assets		**4**	6
		46,495	38,747
CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss	*10*	**44,573**	42,326
Inventories		**683**	242
Trade and other receivables	*11*	**86,037**	67,264
Cash and cash equivalents		**242,713**	112,729
		374,006	222,561
CURRENT LIABILITIES			
Trade and other payables	*12*	**5,913**	3,659
Receipt in advance	*13*	**125,052**	118,218
Current portion of bank borrowings		**731**	1,484
Current portion of other loans		**303**	267
Current portion of obligation under finance lease		**9**	–
Current taxation		**1,770**	2,716
		(133,778)	(126,344)
NET CURRENT ASSETS		**240,228**	96,217
TOTAL ASSETS LESS CURRENT LIABILITIES		**286,723**	134,964
NON-CURRENT LIABILITIES			
Bank borrowings		**11,164**	11,031
Other loans		**2,176**	2,323
Obligation under finance lease		**9**	–
		(13,349)	(13,354)
NET ASSETS		**273,374**	121,610
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**69,218**	58,706
Reserves		**204,370**	62,904
		273,588	121,610
Non-controlling interest		**(214)**	–
TOTAL EQUITY		**273,374**	121,610

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 Companies Law (2004 Revision). Its shares are listed on the Growth Enterprise Market 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 in Taiwan and the People's Republic of China (the "PRC"). The Company and its subsidiaries are herein collectively referred to as the "Group". The address of the Company's registered office and principal place of business are Marquee Place, Suite 300, 430 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands and Room 1806, 18th Floor, Dominion Centre, 43-59 Queen's Road East, Hong Kong respectively.

Items included in the financial statements of each equity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. The functional currency of the Company is Hong Kong dollars ("HK$"). The functional currency of its subsidiaries are Renminbi ("RMB"), New Taiwan dollars ("NTD") and HK$ respectively. The consolidated financial statements are presented in RMB, rounded to the nearest thousand, except when otherwise indicated, as majority of the Group's transactions are denominated in RMB.

2. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Under a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company has become the ultimate holding company of the Group on 21 December 2007.

The principal steps of the Group Reorganisation, which involved the exchange of shares, were as follows:

(a) On 1 June 2007, Chongqing Xibao Funeral Technology Company Limited（重慶錫寶殯儀科技有限公司）("Xibao Technology") acquired 100% equity interests in Chongqing Xizhou Funeral Service Company Limited（重慶錫周殯葬服務有限公司）("Xizhou Service") from Mr. Liu Tien-Tsai ("Mr. Liu") for a consideration of RMB300,000.

(b) On 12 July 2007, the Company acquired 55.5% and 43.15% equity interests in Bau Shan Life Science Technology Co., Ltd.（寶山生命科技股份有限公司）("Bau Shan"), which had 83.33% equity interests in Bau De Funeral Services Holdings Co., Ltd.（寶德生命事業股份有限公司）("Bau De"), from Mr. Liu and independent third parties for a consideration of NTD91,714,900 (equivalent to approximately RMB23,773,000) and NTD71,290,000 (equivalent to approximately RMB18,478,000) respectively. The Company acquired the remaining 1.35% equity interests in Bau Shan at a consideration of NTD2,235,100 (equivalent to approximately RMB579,000) from independent third parties on 5 November 2007.

(c) On 20 December 2007, the Company acquired 100% equity interests in Full Spread (China) Limited ("Full Spread"), from GNL07 Limited, a nominee shareholder of Full Spread, for a consideration of HK$1.

(d) On 21 December 2007, Full Spread acquired 100% equity interests in Xibao Technology from Mr. Liu for a consideration of US$819,985 (equivalent to approximately RMB6,251,000).

The Group resulting from the above mentioned Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") under which the consolidated financial statements have been referred as if the Company had been the holding company of the subsidiaries comprising the Group throughout the period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period:

- HKFRS 2 (Amendments), Group cash-settled share-based payment transactions
- HKFRS 3 (revised 2008), Business combinations
- HKAS 27 (revised 2008), Consolidated and separate financial statements
- HKAS 39 (Amendments), Financial instruments: Recognition and measurement – eligible hedged items
- HK(IFRIC) 17, Distributions of non-cash assets to owners
- HK (Int) 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause
- HKFRSs (Amendments), Improvements to HKFRSs issued in 2009
- HKFRSs (Amendments), Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (revised 2008), Business combinations

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the requirements under HKFRS 3 (revised 2008). Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. Consequently, the goodwill recognised in respect of the acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the recognised amount of the identifiable net assets of the acquiree.

- HKFRS 3 (revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments, if any, to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, with those costs being recognised as an expense in profit or loss as incurred. Previously, they were accounted for as part of the cost of the acquisition.

HKFRS 3 (revised 2008) requires that where the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

HKAS 27 (revised 2008), Consolidated and Separate Financial Statements

The application of HKAS 27 (amended 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Previously, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised. For decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (amended 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (amended 2008) requires the derecognition of all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In accordance with the transitional provisions of HKAS 27, these changes in accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Revisions to HKAS 27 (revised 2008) have not had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of such previous transactions.

4. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	2010	2009
	RMB'000	*RMB'000*
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**40,415**	22,686
Cremation services	**11,486**	11,278
Funeral arrangement services	**12,530**	13,580
Cemetery services	**3,169**	–
	67,600	47,544

(b) Segment information

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Business information

In a manner consistent with the way in which information is reported internally to the Group's Executive Directors for the purposes of resources allocation and performance assessment, the Group has presented one reportable segment only. No operating segments have been aggregated to form the reportable segment.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets. The geographical location of customers is referred to the location at which the services were provided. The Group's non-current assets included property, plant and equipment and intangible assets. The geographical location of the non-current assets is based on the physical location of the assets under consideration. In the case of intangible assets, it is based on the location of the operation to which these intangible assets are allocated.

	Revenue from external customers		**Non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Taiwan	**12,530**	13,580	**30,145**	27,209
The PRC	**55,070**	33,964	**15,256**	11,497
Others	**–**	–	**1,094**	41
	67,600	47,544	**46,495**	38,747

During the year, in Taiwan, the Group is principally engaged in:

1. the sales of funeral services deeds which is accounted by the Group as receipt in advance; and

2. the provision of funeral arrangement services to both funeral services deed holders and non-funeral services deed holders, which are accounted by the Group as revenue.

In the PRC, the Group provided funeral, cremation services and cemetery services in funeral parlours and funeral service centers under the Group's management, pursuant to respective management agreements entered into with the owners of funeral parlours and funeral service centers.

Revenue from major services

	2010	2009
	RMB'000	*RMB'000*
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**40,415**	22,686
Cremation services	**11,486**	11,278
Funeral arrangement services	**12,530**	13,580
Cemetery services	**3,169**	–
	67,600	47,544

Information about major customers

For the years ended 31 December 2010 and 2009, revenue from any single customer does not amount to 10% or more of the Group's revenue.

5. OTHER REVENUE AND OTHER NET GAIN/(LOSS)

	2010	2009
	RMB'000	*RMB'000*
Other revenue		
Interest income on bank deposits	**1,006**	35
Interest income on coupon bonds	**800**	–
Interest income on financial assets not at fair value through profit or loss ("FVTPL")	**1,806**	35
Commission income	**4,335**	6,409
Rental income from sub-leasing assets under operating leases, net	**–**	230
Sundry income	**178**	621
	6,319	7,295
Other net gain/(loss)		
Changes in fair value of freehold land and buildings	**517**	56
Net exchange loss	**(535)**	(378)
Net gain on terminated and lapsed funeral services deeds	**132**	495
Net realised gain on trading securities	**1,221**	–
Net realised and unrealised gain on financial assets designated as at FVTPL	**1,356**	4,098
	2,691	4,271
	9,010	11,566

6. PROFIT BEFORE TAXATION

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation is arrived at after charging the followings:		
(a) Finance costs		
Interests on bank borrowings and other loans		
– wholly repayable within 5 years	**76**	120
– not wholly repayable within 5 years	**219**	254
Finance charges on obligation under finance lease	**1**	–
Effective interest expenses on convertible bonds wholly repayable within 5 years	**–**	350
Total interest expenses on financial liabilities not at FVTPL	**296**	724
(b) Staff costs (including directors' remunerations)		
– salaries, wages and allowances	**13,758**	5,794
– Equity-settled share-based payment expenses	**982**	–
– Contributions to defined contribution retirement plans	**1,267**	622
	16,007	6,416
(c) Other items		
Amortisation of intangible assets	**2**	2
Auditors' remuneration		
– audit services	**1,285**	1,217
– tax services	**–**	5
Cost of inventories	**8,632**	3,217
Depreciation		
– assets held for own use under finance leases	**1**	–
– other assets	**2,084**	1,325
Operating lease rental in respect of		
– rented premises	**464**	333
– *Less:* sub-leasing rental income	**(30)**	(274)
– hire of plant and equipment	**333**	396
– *Less:* sub-leasing rental income	**(35)**	(396)
– hire of funeral parlours and funeral service centres	**14,096**	8,995
Loss on derecognition of assets *(note (i))*	**1,233**	–
Equity-settled share-based payment expenses	**3,222**	–

Note:

(i) This arises from the derecognition of property, plant and equipment and inventories of RMB1,126,000 and RMB107,000 respectively located in Chongqing Tian Fu Funeral Service Centre ("Tian Fu").

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

On 5 December 2010, the Tian Fu Owner took over the control of Tian Fu and the management of Tian Fu by the Group has been suspended from then on. The Group conducted discussions and negotiations with the Tian Fu Owner regarding the contents and actual operation of the Tian Fu Management Agreements and such discussions and negotiations are still proceeding up to the date of this announcement.

7. INCOME TAX

	2010	2009
	RMB'000	*RMB'000*
Provision of current tax for the year		
– PRC Enterprise Income Tax *(note (c))*	**2,932**	1,638
– Taiwan Enterprise Income Tax *(note (d))*	**910**	2,654
	3,842	4,292
Under-provision of current tax in prior years		
– PRC Enterprise Income Tax	**593**	16
– Taiwan Enterprise Income Tax	**–**	9
	593	25
	4,435	4,317

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 2010 (2009: RMBNil).

(b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands for the years ended 31 December 2010 and 2009.

(c) The subsidiaries, Xibao Technology and Xizhou Service operating in the PRC, are subject to enterprise income tax rate at 25% (2009: 25%) in accordance with the Law of the People's Republic of China on Enterprises Income Tax（中華人民共和國企業所得稅法）.

(d) Bau Shan, a direct subsidiary of the Company, is subject to enterprise income tax rate at 17% (2009: 25%) 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, an indirect subsidiary of the Company, as the subsidiary sustained losses during the year.

(e) Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. No deferred tax liabilities in respect of the withholding income tax on dividends has been recognised by the Group as the Company controls dividends policy of the Group's PRC subsidiaries.

(f) Reconciliation between tax expense and accounting profit at applicable rates:

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**5,355**	16,780
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**1,737**	4,634
Tax effect of non-deductible expenses	**308**	137
Tax effect of non-taxable income	**(491)**	(1,645)
Tax effect of unused tax losses not recognised	**2,078**	1,166
Under-provision in prior years	**593**	25
Others	**210**	–
Actual tax expense	**4,435**	4,317

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB1,105,000 (2009: approximately RMB12,463,000) and the weighted average of 704,034,000 ordinary shares (2009: 502,952,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2010	2009
	'000	*'000*
Issued ordinary shares at 1 January	**622,500**	450,000
Effect of shares issued under public placing	**–**	46,849
Effect of over-allotment options exercised	**–**	6,103
Effect of shares issued under placing	**81,534**	–
Weighted average number of ordinary shares at 31 December	**704,034**	502,952
Earnings per share *(RMB cent per share)*	**0.16**	2.48

In determining the weighted average number of ordinary shares in issue, a total of 450,000,000 ordinary shares were deemed to be in issue since 1 January 2009.

(b) Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding for both years ended 31 December 2010 and 2009.

9. DIVIDENDS

The Directors do not recommend payment of any dividend for the year ended 31 December 2010 (2009: RMBNil).

10. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	RMB'000	*RMB'000*
Mutual funds/unit trusts at fair value		
Established outside Hong Kong	**44,573**	42,326

The trust monies have been invested, in mutual funds and unit trusts in Taiwan, by those financial institutions in Taiwan at the discretion of the Group. The mutual funds and unit trusts comprise a basket of financial assets including local and foreign currencies bank deposits, bonds and equity securities listed in Taiwan and other foreign stock markets.

According to the Mortuary Service Administration Act（殯葬管理條例）in Taiwan, which was first promulgated on 17 July 2002 and further amended on 1 July 2003 and 4 July 2007, the Group has to deposit 75% of the gross receipt of each funeral services deed sold in financial institutions in Taiwan as trust monies. As at 31 December 2010, the Group has deposited approximately RMB42,159,000 (2009: RMB40,165,000) in those three financial institutions in Taiwan.

Financial assets designated as at FVTPL are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows. The Group has obtained an investment gain of approximately RMB1,356,000 for the year ended 31 December 2010 (2009: RMB4,098,000). Changes in fair values of the above financial assets are recorded in "other net gain/(loss)" in the consolidated statement of comprehensive income.

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

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

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables *(note (c))*	**–**	–
Other receivables *(note (d))*	**14,741**	7,635
Loans and receivables	**14,741**	7,635
Deposits and prepayments *(note (e))*	**71,296**	59,629
	86,037	67,264

Notes:

(a) All of the trade and other receivables are expected to be recovered or recognised as expense within 1 year.

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

(c) No receivables from customers remained outstanding and unsettled as at 31 December 2010 (2009: Nil).

No credit period is granted to customers by the Group. Customers are required to settle all outstanding balances before receiving the funeral services.

Based on past experience, management believes that no impairment allowance is necessary as the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

(d) Included in the balance are amounts receivable from a funeral service sub-contractor and the owner of a funeral service centre of approximately RMB1,473,000 (2009: RMB358,000) and RMB6,607,000 (2009: RMBNil) respectively. The 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 a subsidiary of the Group. The amounts due are unsecured, interest free and repayable on demand.

(e) Included in deposits and prepayments are deposits paid for funeral parlours and funeral service centres and prepaid agency commission for funeral services deeds of approximately RMB4,500,000 (2009: RMB8,000,000) and RMB40,656,000 (2009: RMB39,398,000) respectively.

12. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables *(note (c))*	**1,173**	684
Accruals and other payables	**4,740**	2,975
Financial liabilities measured at amortised cost	**5,913**	3,659

Notes:

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

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

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

	2010	2009
	RMB'000	*RMB'000*
0 to 30 days	**834**	539
31 days to 90 days	**259**	92
Over 90 days	**80**	53
	1,173	684

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

13. RECEIPT IN ADVANCE

During the current and prior year, Bau Shan, a subsidiary of the Company, sold funeral services deeds to customers ("Deed Holders"). The funeral services deeds are prepaid funeral services packages which mainly comprise particular types of funeral services to be arranged. The Deed Holders can elect to make payment on a lump sum basis or settle the outstanding amount of the funeral services deeds by up to a maximum of 48 monthly instalments. The Group determines the pricing of the funeral services deeds by adding a margin to the estimated cost of delivering funerals, after having taken into account of major factors including instruction of the Deed Holders. Amounts received from funeral services deeds sold are recorded as receipt 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-days' 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 services deeds are sold. Accordingly, receipt in advance is classified as current liabilities in the consolidated statement of financial position.

According to the Mortuary Service Administration Act, 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 sold in financial institutions in Taiwan as trust monies. As at 31 December 2010, the Group has deposited approximately RMB42,159,000 (2009: RMB40,165,000) in those three financial institutions in Taiwan *(see note 10)*.

If the Deed Holders terminates 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 installments paid, whichever is lower, will be forfeited as income. The Group recognised a net gain on termination/lapse of funeral services deeds of approximately RMB132,000 (2009: RMB495,000) in "other net gain/(loss)" in the consolidated statement of comprehensive income for the year.

14. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2010 not provided for in the financial statements are as follows:

	2010	2009
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for:		
– Acquisition of property, plant and equipment	**2,589**	5,072
– Investment in a joint venture	**6,500**	–
	9,089	5,072

15. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

	2010	2009
	RMB'000	*RMB'000*
Within one year	**14,248**	10,513
In the second to fifth year, inclusive	**63,604**	35,047
After five years	**138,183**	120,054
	216,035	165,614

Operating lease payments represent rentals payable by the Group for certain of its sales offices and management fee payable to funeral parlour and funeral service centre owners. Leases are negotiated for an average term of 2 to 20 years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) The Group as lessor

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

	2010	2009
	RMB'000	*RMB'000*
Within one year	**4**	83

16. PLEDGE OF ASSETS

As at 31 December 2010, bank borrowings and other loans of the Group were secured by freehold land and buildings with an aggregate carrying amount of RMB19,648,000 (2009: RMB17,847,000) and RMB8,339,000 (2009: RMB7,532,000) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover derived from the PRC market was RMB55.1 million for the year ended 31 December 2010, representing an increase of 62.5% from the same period last year, and accounted for 81.5% of the Group's turnover. Gross profit of the Group's core funeral services business in the PRC remained at a high level at approximately 80.6%.

In 2010, the Group provides principally management services to Chongqing Jiang Nan Funeral Parlour (重慶市江南殯儀館), Chongqing Tian Fu Funeral Service Centre (重慶市天福堂治喪中心), Chongqing Zhong County Funeral Parlour (重慶市忠縣殯儀館), An Fu Fureral Service Centre (安福堂治喪中心) in Chongqing and Yibin Funeral Service Centre (宜賓治喪中心) in Sichuan Province, the PRC. In addition, the Group will establish a funeral service centre in Ningbo, Zhejiang Province through a joint venture, while the funeral parlour in Rongchang County, Chongqing had officially commenced operations on 31 December 2010. While expanding the business, the Group has dedicated considerable resources to upgrade facilities, improve conditions, as well as recruit more professional staff.

The Group ceased to provide management services to Tian Fu and Yibin Funeral Service Centre in December 2010.

In May 2010, the Group expanded its funerary business in Hong Kong by entering into a framework agreement to establish a subsidiary with five partners. This not only signifies a business extension of the Group beyond Mainland China and Taiwan, but also is a recognition of acceptance by the funeral related industry sectors in Hong Kong. Among the five partners of the subsidiary, the Group was honoured to have the support of and to be joined by Dr. George K N Ching and Ms. Ina Ng, who play important roles in the Kowloon Funeral Parlour.

To support its expansion strategies, the Group has successfully completed a top up placing of shares to various strategic investors in April 2010. The placing not only enlarged the shareholders' base and the share capital base of the Group, but more importantly, has provided stronger capital support which should prove to be beneficial to the Group's development and scale of operation. The Group has placed 120,000,000 shares to strategic investors at the placing price of HK$1.50 per placing share. The net proceeds from this capital raising exercise were approximately HK$170,200,000.

Turnover derived from the Taiwan market was RMB12.5 million for the year ended 31 December 2010, representing a decrease of 8.1% from the same period last year, and accounted for 18.5% of the Group's turnover.

In Taiwan, the Group is principally engaged in the sales of funeral services deeds, which was accounted for by the Group as receipt in advance, and provides funeral arrangement services to funeral services Deed Holders and non-funeral services Deed Holders, which are accounted for by the Group as revenue. The Group had 15 major sales agents in Taiwan. In order to support the business development of the Group in Taiwan, the Group operates four service centres at Taipei, Hsinchu, Changhua and Kaohsiung.

PROSPECTS

As the Group promotes its new product, "Complete Lifetime Service Deed", the Group's office in Hung Hom, Hong Kong (the "Hunghom Office") was officially opened and went into operation in January 2011. Sino-Life (Hong Kong) Limited, a directly wholly owned subsidiary of the Company has been granted by the Director of Food and Environmental Hygiene the licence to carry on the business of an undertaker of burials pursuant to the Undertakers of Burials Regulation, Chapter 132CB of the Laws of Hong Kong. The official opening of the Group's sales department in the Hunghom Office enables customers to have more direct and in-depth understanding of the nature of Complete Lifetime Service Deed, and has enhanced market confidence in such deed and business, which is of material importance in the sale of Complete Lifetime Service Deed extensively.

On the other hand, the Group has entered into a management contract with Chongqing Nanan District Lian Hua Tang Funeral Service Limited (重慶市南岸區蓮花堂殯儀服務有限公司) ("Lian Hua Tang") on 30 December 2010. Lian Hua Tang with its operational premises, facilities, equipments and production items being located in Nanan District, Chongqing (重慶市南岸區) is able to offer customers cremation services and other resources through collaboration with Jiang Nan Funeral Parlour, thereby achieving synergies. With its strategic location and large site area, Lian Hua Tang can provide high quality one-stop funeral services for the residents in the densely-populated Nanan District, Jiangbei District and Yuzhong District within Chongqing.

The PRC and Hong Kong would continue to be the Group's key development regions while business in Taiwan moves forward steadily. The management is able to apply its professional and efficient business model effectively in different regions to capture opportunities simultaneously in other regions with huge potential, such as Southeast Asia to further expand the Group's business coverage.

Financial review

Turnover

The turnover arising from principal activities for the year ended 31 December 2010 was approximately RMB67.6 million (2009: approximately RMB47.5 million), representing an increase of approximately 42.3% as compared to 2009. The increase of total revenue was mainly due to the expansion of operations in the PRC during the year, achieving a turnover of approximately RMB55.1 million (2009: approximately RMB33.9 million), representing an increase of approximately 62.5%. However, there was a constraint on growth of its operations in Taiwan. The turnover generated by the Taiwan operations was approximately RMB12.5 million (2009: approximately RMB13.6 million), representing a decrease of approximately 8.1% as the scope of business of the Group has narrowed. As a result of the Group's increased efforts in the PRC, that portion of the Group's total turnover increased from approximately 71.4% for 2009 to approximately 81.5% for 2010. The portion of the Group's total turnover in Taiwan decreased from approximately 28.6% for 2009 to approximately 18.5% for 2010.

Due to the expansion of funeral parlour and funeral service centres under the Group's management in the PRC, the turnover from the funeral service provided in funeral parlour and funeral service centres under the Group's management increased by 78.8%, amounting to approximately RMB40.4 million (2009: approximately RMB22.6 million). The rise was mainly due to (i) the increase in the number of funeral services provided from 1,737 for 2009 to 2,715 for 2010; and (ii) the average spending per service provided from RMB13,060 for 2009 to RMB14,886 for 2010. The increase in the number of the cases was due to the boost of its reputation through the Group's provision of quality service and the completion of refurbishment in 2010. The increase in average spending was due to the increase in the consumer spending power in 2010 and the fact that higher fees could be charged after refurbishment of the funeral service centres.

The turnover from the cremation services slightly increased by 1.8%, amounting to approximately RMB11.5 million (2009: approximately RMB11.3 million). The increase was mainly due to the increase in the number of cremation services provided from 7,289 for 2009 to 9,425 for 2010. The average spending per service provided decreased from RMB1,547 for 2009 to RMB1,219 for 2010. The increase of the number of cremation services was due to the increase in number of funeral parlours managed by the Group with cremation facilities whereas the decrease in average spending was due to lower average spending in the newly managed funeral parlour during the year. 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 was approximately RMB12.5 million (2009: approximately RMB13.6 million), representing a slight decline of 8.1% over last year. It was due to the intense competition in the Taiwan funeral service industry and the Directors believe that the market in Taiwan is saturated and room for growth is limited. Thus, the number of cases for the funeral arrangement services dropped in 2010 and resulted in the decrease in the total turnover here.

Gross Profit and Gross Profit Margin

Gross profit rose by 47.8% to approximately RMB50.4 million (2009: approximately RMB34.1 million), and gross profit margin increased to approximately 74.5% (2009: approximately 71.8%). The gross profit margin of funeral services provided in funeral parlour and funeral service centres under the Group's management increased to approximately 78.0% (2009: approximately 76.8%) which was mainly due to the growth in average spending per service by 14.0%. The gross profit margin of cremation services slightly decreased to approximately 86.1% (2009: approximately 90.4%) which was mainly due to the decrease in average spending per service by 21.2% and that of funeral arrangement services in Taiwan remained nearly the same of approximately 48.0% (2009: approximately 47.9%).

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.

Profit for the Year

In 2010, profit attributable to owners of the Company for the year decreased by 91.2% from 2009 to approximately RMB1.1 million (2009: approximately RMB12.5 million). The decrease was mainly due to (i) the expense recognition of the share-based payments arising from share options granted to employees and consultants; (ii) the increase in administrative costs after the listing of the Company on the GEM of the Stock Exchange; and (iii) the preliminary expenditure for the commencement of business operation in Hong Kong.

Selling expenses increased by approximately 63.2% to approximately RMB19.1 million (2009: approximately RMB11.7 million). The increase was mainly attributable to the Group's increased rental and management costs and agency costs resulting from its expansion in the funeral parlour and funeral service centres management business in the PRC. The proportion of selling expenses to turnover was approximately 28.3% (2009: approximately 24.6%). Administrative expenses rose by approximately 129.9% to approximately RMB33.1 million (2009: approximately RMB14.4 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 increased staff costs due to increase in number of staff. The proportion of administrative expenses to turnover was approximately 49.0% (2009: approximately 30.3%). Finance costs dropped by approximately 57.1% to approximately RMB0.3 million (2009: approximately RMB0.7 million) because of the decline in bank interest rates. Income tax expense slightly increased by approximately 2.3% to approximately RMB4.4 million (2009: approximately RMB4.3 million). The effective tax rate of the Group was approximately 82.8% (2009: approximately 25.6%). The increase in the effective tax rates was due to the decrease of non-taxable gains in the fair value of financial assets and increase of unused tax losses not recognised for 2010.

Liquidity, Financial Resources and Capital Structure

The Group maintains a stable financial position. As at 31 December 2010, the Group had bank balances and cash of approximately RMB242.7 million (2009: approximately RMB112.7 million) and bank and other loans and obligation under finance lease of approximately RMB14.4 million (2009: approximately RMB15.1 million). All bank and other loans were denominated in New Taiwan Dollars, at prevailing market interest. During the year, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowing to the total assets of the Group was 3.4% as at 31 December 2010 (2009: 5.8%).

The Number and Remuneration of Employees

As at 31 December 2010, the Group employed approximately 362 employees (2009: 272 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 pledged as security for the Group's bank borrowings and other loans were approximately RMB28.0 million (2009: RMB25.4 million).

Contingent Liabilities

As at 31 December 2010, the Group did not have any contingent liabilities (2009: Nil).

Capital Expenditure

For the year ended 31 December 2010, capital expenditure of the Group for property, plant and equipment amounted to approximately RMB8.0 million (2009: approximately RMB6.1 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 2010, the relevant interests and short positions of the Directors or chief executive in the shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) ("SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Liu Tien-Tsai	Personal	306,540,000	41.28%

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 2010, the Company was notified of the following substantial shareholders' interests, being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and chief executive:

Aggregate long positions in the Shares

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

Note:

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

Competing business

As at 31 December 2010, 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 participants as incentive or rewards for their contributions to the Group.

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

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

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

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

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

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

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

Details of the share options granted and remaining outstanding as at 31 December 2010 are as follows:

	Date of grant	Exercise price	Exercisable period	Option held at 1 January 2010	Option granted during the year	Options cancelled during the year	Options lapsed during the year	Reclassification	Options held at 31 December 2010
Directors of the Company or its subsidiaries *(Note)*	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	–	6,420,000	(6,420,000)	–	1,600,000	1,600,000
Continuous contract employees	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	–	11,680,000	–	(744,000)	–	10,936,000
Consultants	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	–	41,900,000	–	–	(1,600,000)	40,300,000
				–	60,000,000	(6,420,000)	(744,000)	–	52,836,000

Note: Share options to subscribe for 1,600,000, 500,000, 500,000, 500,000, 500,000, 500,000 and 500,000 shares were granted to the Directors of the Company, Mr. Kim Eun Back, Mr. Niu Tse-Cheng, Mr. Zheng Yimin, Mr. Chai Chung Wai, Mr. Ching Clement Yat-biu, Mr. Lam Ying Hung Andy and Mr. Luo Xuegang respectively and such share options were cancelled.

Share options to subscribe for 320,000, 500,000 and 1,000,000 shares were granted to the directors of the subsidiaries of the Company, Ms. Pan Hsiu-Ying, Mr. Wang Zhengshun and Mr. Wang Shun Lang respectively and such share options were cancelled.

Share options to subscribe for 1,600,000 shares was granted to Mr. Mak King Sau ("Mr. Mak") on 11 February 2010. On 10 August 2010, Mr. Mak was appointed as the director of Sino-Life Eternities Limited and Sino-Life Eternities Services Limited, the subsidiaries of the Company.

These options expire ten years from the date of grant. As at 31 December 2010, 3,084,000 of 52,836,000 options were exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,752,000 of 52,836,000 options are exercisable over five years from the date of grant, with 20% each of the options granted exercisable at six months and first calendar date following four years from the date of grant.

Save as disclosed above, as at 31 December 2010, 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.

Interests of the Compliance Adviser

As notified by Sun Hung Kai International Limited ("SHKI"), the Company's compliance adviser, neither SHKI nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2010.

Pursuant to the agreement dated 24 August 2009 entered into between SHKI and the Company, SHKI received and will receive fees for acting as the Company's compliance adviser.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 December 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

CORPORATE GOVERNANCE

Save and except the following deviation from the code provision set out in the Code on Corporate Governance Practices as contained in Appendix 15 to the GEM Listing Rules (the "CCGP"), the Company had, during the year, complied with the CCGP.

Code provisions set out in the CCGP	Reason for deviations
A.2 The roles of the Chairman and Chief Executive Officer of the Company should not be performed by the same individual.	The Company's size is still relatively small and it is thus not justified in separating the role of Chairman and Chief Executive Officer. The Group has in place internal control system to perform the check and balance function.

The Company is also in the progress of assessing the effect of the implementation of CCGP on the Company's operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the year ended 31 December 2010.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

The Group's audited consolidated results for the year ended 31 December 2010 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 2011 Annual General Meeting of the Company will be held on 28 April 2011, Thursday 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 21 April 2011, Thursday to 28 April 2011, Thursday (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 28 April 2011, 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 20 April 2011, 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 2010.

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

Hong Kong, 22 March 2011

As at the date hereof, the Board comprises Mr. Liu Tien-Tsai and Mr. Kim Eun Back being executive Directors of the Company; Mr. Niu Tse-Cheng and Mr. Zheng Yimin being non-executive Directors of the Company; and Mr. Chai Chung Wai, Mr. Ching Clement Yat-biu, Mr. Lam Ying Hung Andy, Mr. Luo Xuegang 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.