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 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 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.

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 2011 amounted to RMB72.5 million (2010: RMB67.6 million), representing an increase of 7.2% as compared with year 2010.

- Loss attributable to owners of the Company for the year ended 31 December 2011 amounted to RMB30.1 million (2010: profit of RMB1.1 million).

- Basic loss per share for the year ended 31 December 2011 amounted to RMB4.05 cents (2010: earnings per share of RMB0.16 cents).

- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: 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 2011 together with the comparative audited figures for year 2010. These results have been reviewed by the audit committee of the Board.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Turnover	3(a)	**72,521**	67,600
Cost of sales		**(26,957)**	(17,237)
Gross profit		**45,564**	50,363
Other revenue	4	**3,482**	6,319
Other net (loss)/gain	4	**(3,005)**	2,691
Selling expenses		**(26,672)**	(19,149)
Administrative expenses		**(43,141)**	(33,116)
Other operating expenses		**(3,890)**	(1,457)
(Loss)/profit from operations		**(27,662)**	5,651
Finance costs	5(a)	**(285)**	(296)
(Loss)/profit before taxation	5	**(27,947)**	5,355
Income tax	6	**(1,769)**	(4,435)
(Loss)/profit for the year		**(29,716)**	920
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)			
(Deficit)/surplus on revaluation of land and buildings held for own use		**(1,269)**	905
Exchange differences arising on translation		**(10,570)**	(3,225)
Other comprehensive loss for the year		**(11,839)**	(2,320)
Total comprehensive loss for the year, net of tax		**(41,555)**	(1,400)
(Loss)/profit attributable to:			
Owners of the Company		**(30,079)**	1,105
Non-controlling interests		**363**	(185)
		(29,716)	920
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(41,893)**	(1,167)
Non-controlling interests		**338**	(233)
		(41,555)	(1,400)
(Loss)/earnings per share	7		
Basic and diluted		**RMB(4.05) cents**	RMB0.16 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**43,544**	46,491
Intangible assets		**2**	4
Deposit for acquisition of property		**6,231**	–
Deposits for hire of funeral parlours and funeral services centres	9	**7,250**	7,000
		57,027	53,495
CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss		**38,971**	44,573
Inventories		**9,072**	683
Tax recoverable		**393**	–
Trade and other receivables	9	**72,528**	79,037
Cash and cash equivalents		**194,171**	242,713
		315,135	367,006
CURRENT LIABILITIES			
Trade and other payables	10	**14,854**	5,913
Receipts in advance	11	**108,410**	125,052
Current portion of bank borrowings		**594**	731
Current portion of other loans		**194**	303
Current portion of obligation under finance lease		**9**	9
Current taxation		**1,146**	1,770
		(125,207)	(133,778)
NET CURRENT ASSETS		**189,928**	233,228
TOTAL ASSETS LESS CURRENT LIABILITIES		**246,955**	286,723
NON-CURRENT LIABILITIES			
Bank borrowings		**9,750**	11,164
Other loans		**313**	2,176
Obligation under finance lease		**–**	9
		(10,063)	(13,349)
NET ASSETS		**236,892**	273,374
EQUITY			
Equity attributable to owners of the Company			
Share capital		**69,218**	69,218
Reserves		**164,621**	204,370
		233,839	273,588
Non-controlling interests		**3,053**	(214)
TOTAL EQUITY		**236,892**	273,374

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Merger reserve** *RMB'000*	**Statutory reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Properties revaluation reserve** *RMB'000*	**Foreign currency translation reserve** *RMB'000*	**Share-based compensation reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2010	58,706	82,204	(16,261)	225	838	851	1,947	–	(6,900)	121,610	–	121,610
Profit for the year	–	–	–	–	–	–	–	–	1,105	1,105	(185)	920
Surplus on revaluation of land and buildings held for own use	–	–	–	–	–	905	–	–	–	905	–	905
Exchange differences arising on translation	–	–	–	–	–	–	(3,177)	–	–	(3,177)	(48)	(3,225)
Total other comprehensive income/(loss)	–	–	–	–	–	905	(3,177)	–	–	(2,272)	(48)	(2,320)
Total comprehensive income/(loss) for the year	–	–	–	–	–	905	(3,177)	–	1,105	(1,167)	(233)	(1,400)
Shares issued upon placing of new shares	10,512	147,241	–	–	–	–	–	–	–	157,753	–	157,753
Transaction costs attributable to shares issued upon placing of new shares	–	(8,812)	–	–	–	–	–	–	–	(8,812)	–	(8,812)
Equity-settled share-based transactions	–	–	–	–	–	–	–	4,204	–	4,204	–	4,204
Capital contribution received by a non-wholly owned subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	–	–	19	19
Profit appropriation to reserve	–	–	–	–	712	–	–	–	(712)	–	–	–
At 31 December 2010	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**1,756**	**(1,230)**	**4,204**	**(6,507)**	**273,588**	**(214)**	**273,374**
At 1 January 2011	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**1,756**	**(1,230)**	**4,204**	**(6,507)**	**273,588**	**(214)**	**273,374**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,079)**	**(30,079)**	**363**	**(29,716)**
Deficit on revaluation of land and buildings held for own use	**–**	**–**	**–**	**–**	**–**	**(1,269)**	**–**	**–**	**–**	**(1,269)**	**–**	**(1,269)**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**–**	**–**	**(10,545)**	**–**	**–**	**(10,545)**	**(25)**	**(10,570)**
Total other comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(1,269)**	**(10,545)**	**–**	**–**	**(11,814)**	**(25)**	**(11,839)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(1,269)**	**(10,545)**	**–**	**(30,079)**	**(41,893)**	**338**	**(41,555)**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,144**	**–**	**2,144**	**–**	**2,144**
Forfeiture of share options granted	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9)**	**9**	**–**	**–**	**–**
Non-controlling interests arising on the acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,931**	**2,931**
Decrease in non-controlling interests arising on acquisition of interests in a non-wholly owned subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
At 31 December 2011	**69,218**	**220,633**	**(16,261)**	**225**	**1,550**	**487**	**(11,775)**	**6,339**	**(36,577)**	**233,839**	**3,053**	**236,892**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sino-Life Group Limited (the "Company") was incorporated on 24 February 2005 in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 September 2009.

The Company is principally engaged in investment holding. The subsidiaries are mainly engaged in the provision of funeral services and trading of raw marble in Taiwan, Hong Kong and the People's Republic of China (the "PRC"). The Company and its subsidiaries are herein collectively referred to as the "Group". The address of the Company's registered office and principal place of business are Marquee Place, Suite 300, 430 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands and Room 1806, 18th Floor, Dominion Centre, 43-59 Queen's Road East, Hong Kong respectively.

Items included in the financial statements of each entity 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 was originally Hong Kong dollars ("HK$"). On 1 January 2011, the board of directors determined that the functional currency was changed from HK$ to United States dollars ("US$"), including but not limited to the facts that substantial amount of assets, mainly the cash and bank balances and the investments of the Company were denominated in US$. The effect of a change in functional currency is accounted for prospectively from the date of change in functional currency. 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, which is different from the functional currency of the Company as majority of the Group's transactions are denominated in RMB.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (as revised in 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a goverment-related entity.

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	2011	2010
	RMB'000	*RMB'000*
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**38,981**	40,415
Cremation services	**10,658**	11,486
Funeral arrangement services	**6,101**	12,530
Cemetery services	**2,486**	3,169
Trading of raw marble	**14,295**	–
	72,521	67,600

(b) Segment information

During 2010, the Group had one reportable segment of funeral services only. However, with the acquisition of Jing Run Limited in 2011, and the change of structure of the Group, the Group has more than one reportable segments in 2011 and hence the comparatives have been restated.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Company's executive directors (the "Executive Directors"), being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Funeral services – Taiwan

– Provision of funeral arrangement services to both funeral services deed holders and non-funeral services deed holders.

(ii) Funeral services – Hong Kong

– Provision of funeral arrangement services to both funeral services deed holders and non-funeral services deed holders.

(iii) Funeral services – the PRC

– Provision of funeral, cremation and cemetery services in funeral parlours and funeral service centres under the Group's management, pursuant to respective management agreements entered into with the owners of funeral parlours and funeral service centres.

(iv) Trading of raw marble

– Trading of raw marble in Taiwan and the PRC.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Executive Directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment results represent the profit/(loss) earned/(suffered) by each segment without allocation of other revenue and other net gain, central administration costs, finance costs and income tax. This is the measure reported to the Executive Directors for the purposes of resources allocation and assessment of segment performance.

In addition to receiving segment information concerning segment results, the Executive Directors are provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses, income tax expense and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Executive Directors for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2011 and 2010 is set out below:

	Year ended 31 December 2011				
		Funeral services		Trading of raw marble	Total
	Taiwan	Hong Kong	PRC		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	**5,887**	**214**	**52,125**	**14,295**	**72,521**
Reportable segment (loss)/profit	**(572)**	**(3,881)**	**(10,226)**	**1,019**	**(13,660)**
Interest income	**3**	**–**	**12**	**2**	**17**
Interest expense	**260**	**1**	**–**	**–**	**261**
Depreciation and amortisation for the year	**223**	**344**	**3,475**	**61**	**4,103**
Impairment of prepayment and other receivable	**–**	**–**	**3,670**	**–**	**3,670**
Income tax expense	**664**	**–**	**1,105**	**–**	**1,769**
Additions to non-current segment assets during the year	**396**	**55**	**10,805**	**728**	**11,984**
Reportable segment assets	**192,568**	**1,087**	**59,916**	**15,204**	**268,775**
Reportable segment liabilities	**119,945**	**183**	**5,839**	**7,758**	**133,725**

	Year ended 31 December 2010 (Restated)				
	Funeral services			Trading of raw marble	Total
	Taiwan	Hong Kong	PRC		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	12,530	–	55,070	–	67,600
Reportable segment profit	4,047	–	7,856	–	11,903
Interest income	5	–	26	–	31
Interest expense	296	–	–	–	296
Depreciation and amortisation for the year	197	–	1,830	–	2,027
Income tax expense	910	–	3,525	–	4,435
Additions to non-current segment assets during the year	178	–	10,229	–	10,407
Reportable segment assets	199,291	–	63,242	–	262,533
Reportable segment liabilities	139,493	–	6,347	–	145,840

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2010: Nil).

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

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Total reportable segment revenue and consolidated turnover	**72,521**	67,600
Profit or loss		
Reportable segment (loss)/profit derived from Group's external customers	**(13,660)**	11,903
Other revenue	**3,482**	6,319
Other net (loss)/gain	**(3,005)**	2,691
Depreciation and amortisation	**(87)**	(60)
Finance costs	**(285)**	(296)
Unallocated head office and corporate expenses	**(14,392)**	(15,202)
Consolidated (loss)/profit before taxation	**(27,947)**	5,355
Assets		
Total reportable segment assets	**268,775**	262,533
Unallocated head office and corporate assets		
– Cash and cash equivalents	**98,916**	152,258
– Others	**4,471**	5,710
Consolidated total assets	**372,162**	420,501
Liabilities		
Total reportable segment liabilities	**133,725**	145,840
Unallocated head office and corporate liabilities	**1,545**	1,287
Consolidated total liabilities	**135,270**	147,127

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

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Other items		
Interest income		
Reportable segment total	**17**	31
Unallocated head office and corporate total	**2,931**	1,775
Consolidated total	**2,948**	1,806
Interest expense		
Reportable segment total	**261**	296
Unallocated head office and corporate total	**24**	–
Consolidated total	**285**	296
Depreciation and amortisation		
Reportable segment total	**4,103**	2,027
Unallocated head office and corporate total	**87**	60
Consolidated total	**4,190**	2,087
Additions to non-current segment assets during the year		
Reportable segment total	**11,984**	10,407
Unallocated head office and corporate total	**576**	1,136
Consolidated total	**12,560**	11,543

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets as specified below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, intangible assets, deposit for acquisition of property and deposits for hire of funeral parlours and funeral services centres. The geographical locations of property, plant and equipment, deposit for acquisition of property and deposits for hire of funeral parlours and funeral services centres are based on the physical location of the assets under consideration. In the case of intangible assets, it is based on the location of the operation to which these intangible assets are allocated.

	Revenue from external customers		**Non-current assets**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (place of domicile)	**56,607**	55,070	**28,792**	22,256
Taiwan	**15,700**	12,530	**26,984**	30,145
Hong Kong	**214**	–	**1,251**	1,094
	15,914	12,530	**28,235**	31,239
	72,521	67,600	**57,027**	53,495

Revenue from major products and services

	2011	2010
	RMB'000	*RMB'000*
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**38,981**	40,415
Cremation services	**10,658**	11,486
Funeral arrangement services	**6,101**	12,530
Cemetery services	**2,486**	3,169
Trading of raw marble	**14,295**	–
	72,521	67,600

Information about major customers

For the years ended 31 December 2011 and 2010, revenue from any single external customer does not amount to 10% or more of the Group's revenue.

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

	2011	2010
	RMB'000	*RMB'000*
Other revenue		
Interest income on bank deposits	**18**	1,006
Interest income on coupon bonds	**2,930**	800
Total interest income on financial assets not at fair value through profit or loss	**2,948**	1,806
Commission income	**14**	4,335
Dividend income	**346**	–
Sundry income	**174**	178
	3,482	6,319
Other net (loss)/gain		
Surplus on revaluation of land and buildings held for own use	**391**	517
Net exchange loss	**(985)**	(535)
Net gain on terminated and lapsed funeral services deeds	**707**	132
Net realised (loss)/gain on trading securities	**(1,492)**	1,221
Net realised and unrealised (loss)/gain on financial assets designated as at FVTPL	**(1,626)**	1,356
	(3,005)	2,691
	477	9,010

5. (LOSS)/PROFIT BEFORE TAXATION

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

	2011	2010
	RMB'000	*RMB'000*
(a) Finance costs		
Interests on bank borrowings and other loans		
– wholly repayable within 5 years	**83**	76
– not wholly repayable within 5 years	**200**	219
Finance charges on obligation under finance lease	**2**	1
Total interest expenses on financial liabilities not at FVTPL	**285**	296
(b) Staff costs (including directors' remunerations)		
Salaries, wages and other benefits	**18,521**	13,758
Equity-settled share-based payment expenses	**520**	982
Contributions to defined contribution retirement plans	**1,709**	1,267
	20,750	16,007
(c) Other items		
Amortisation of intangible assets	**2**	2
Auditors' remuneration	**1,146**	1,285
Cost of inventories	**20,486**	8,632
Depreciation		
– assets held for own use under finance lease	**4**	1
– other assets	**4,184**	2,084
Operating lease charges: minimum lease payments		
– rented premises	**1,349**	464
Less: sub-leasing rental income	**–**	(30)
– hire of plant and equipment	**357**	333
Less: sub-leasing rental income	**–**	(35)
– hire of funeral parlours and funeral service centres	**13,894**	14,096
Impairment loss for prepayments *(note (i))*	**3,500**	–
Impairment loss for other receivables	**170**	–
Loss on derecognition of assets *(note (ii))*	**–**	1,233
Equity-settled share-based payment expenses	**1,624**	3,222

Notes:

(i) On 13 January 2009, a letter of intent was entered into between Chongqing Xibao Funeral Technology Co. Limited ("Xibao"), an indirect wholly-owned subsidiary of the Company, and a Company providing funeral services in Chongqing (the "Chongqing Company") concerning the management of a funeral parlour ("Letter of Intent"). Pursuant to the Letter of Intent, the duration for the management of the funeral parlour is ten years from 1 August 2009 to 31 July 2019. The annual management fee of RMB3,500,000 was paid by Xibao in advance in 2009. During the period from 2009 to 2011, the Group was advised by the Chongqing Company that due to the change of shareholder's structure of the Chongqing Company was under process, the formal management agreement concerning the management of the funeral parlour cannot be entered into between the Chongqing Company and Xibao. The Group conducted discussions with the Chongqing Company regarding the status of change of ownership of the Chongqing Company and was advised that the status remain unchanged. Due to the change of shareholder's structure of the Chongqing Company leading to the uncertainties on the execution of the project and recoverability of the prepayment, impairment loss of RMB3,500,000 is therefore recognised which is included in "other operating expenses" in the consolidated statement of comprehensive income.

(ii) This arised from the derecognition of property, plant and equipment and inventories with carrying amounts of RMB1,126,000 and RMB107,000 respectively located in Chongqing Tian Fu Funeral Service Centre ("Tian Fu") for the year ended 31 December 2010.

On 30 April 2006, a management agreement was entered into between Mr. Liu Tien-Tsai ("Mr. Liu") and Chongqing Jiulongpo District Tranquil Funeral Parlour ("Tian Fu Owner") and a supplemental management agreement was entered into between Mr. Liu, Tian Fu Owner and Xibao 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, Xibao 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 Xibao has been suspended from then on. Xibao conducted discussions and negotiations with the Tian Fu Owner regarding the contents and actual operation of the Tian Fu Management Agreements. The Tian Fu Owner refunded RMB1,500,000 for the year ended 31 December 2011 to Xibao as partial settlement of the prepaid deposit and unutilised rental prepayment.

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
	RMB'000	*RMB'000*
Provision of current tax for the year		
– PRC Enterprise Income Tax *(note (c))*	**1,105**	2,932
– Taiwan Enterprise Income Tax *(note (d))*	**63**	910
	1,168	3,842
Under-provision of current tax in prior years		
– PRC Enterprise Income Tax	**–**	593
– Taiwan Enterprise Income Tax	**601**	–
	601	593
	1,769	4,435

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 2011 (2010: RMBNil).

(b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands for the year ended 31 December 2011 (2010: RMBNil).

(c) The subsidiaries operating in the PRC are subject to enterprise income tax rate at 25% (2010: 25%) in accordance with the Law of the People's Republic of China on Enterprises Income Tax（中華人民共和國企業所得稅法）.

(d) Bau Shan Life Science Technology Co., Ltd. ("Bau Shan"), a direct subsidiary of the Company, is subject to enterprise income tax rate at 17% (2010: 17%) in accordance with the Income Tax Act and other relevant laws in Taiwan. No provision for enterprise income tax has been made for Bau De Funeral Services Holdings Co., Ltd., an indirect subsidiary of the Company, as the subsidiary sustained losses for the year ended 31 December 2011 (2010: RMBNil).

(e) Under the Enterprises 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.

7. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB30,079,000 (2010: profit of approximately RMB1,105,000) and the weighted average of 742,500,000 ordinary shares (2010: 704,034,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011	2010
	'000	*'000*
Issued ordinary shares at 1 January	**742,500**	622,500
Effect of shares issued under placing	**–**	81,534
Weighted average number of ordinary shares at 31 December	**742,500**	704,034
(Loss)/earnings per share *(RMB cent per share)*	**(4.05)**	0.16

(b) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2011 and 2010, and therefore, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

8. DIVIDENDS

The directors do not recommend payment of any dividend for the year ended 31 December 2011 (2010: RMBNil).

9. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables *(note (c))*	**3,682**	–
Less: allowance for impairment loss	**–**	–
	3,682	–
Bills receivable	**1,500**	–
Other receivables *(note (d))*	**11,559**	14,741
Less: allowance for impairment loss *(note (e))*	**(170)**	–
	11,389	14,741
Loans and receivables	**16,571**	14,741
Deposits and prepayments *(note (f))*	**63,207**	71,296
	79,778	86,037
Representing:		
Current	**72,528**	79,037
Non-current	**7,250**	7,000
	79,778	86,037

Notes:

(a) All of the loans and receivables are expected to be recovered within 1 year and prepayments are expected to be recognised as expense within 1 year. Deposits expected to be recovered after more than one year is RMB7,250,000 (2010: RMB7,000,000).

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

(c) Trade receivables are net of allowance for doubtful debts of RMBNil (2010: RMB Nil) with the following analysis by age presented based on the date of sales of goods or service rendered as at the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
0 to 180 days	**2,667**	–
181 days to 365 days	**–**	–
Over 1 year	**1,015**	–
	3,682	–

No credit period is granted to customers of funeral services segment by the Group. Customers are required to settle all outstanding balances on or before the funeral services were performed.

The average credit period on sales granted to customers of trading of raw marble segment is 180 days.

Management believes that no impairment allowance is necessary as the balances are fully recovered subsequent to the year end date. The Group does not hold any collateral over these balances.

(d) Included in the balance are amounts receivable from a funeral service sub-contractor and the owner of a funeral service centre of approximately RMB1,079,000 (2010: RMB1,473,000) and RMB5,035,000 (2010: RMB6,607,000) respectively. These amounts represent the receipts from the customers for the funeral services by the sub-contractor and the owner of a funeral service centre on behalf of the Group. The amounts due are unsecured, interest free and repayable on demand.

(e) Impairment of other receivable

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly.

Movements in the allowance for impairment loss

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**–**	–
Impairment loss recognised	**170**	–
At 31 December	**170**	–

As at 31 December 2011, other receivable of the Group amounting to RMB170,000 (2010: RMBnil) was individually determined to be impaired. The individually impaired receivable was due from debtor with financial difficulties. Accordingly, an impairment loss of RMB170,000 (2010: RMBnil) was recognised.

(f) Included in deposits and prepayments are deposits paid for funeral parlours and funeral services centres, prepaid hire charge of funeral parlours and funeral services centres and prepaid agency commission for funeral services deeds of approximately RMB7,250,000 (2010: RMB7,000,000), RMB11,195,000 (2010: RMB11,000,000) and RMB34,445,000 (2010: RMB40,656,000) respectively.

(g) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**2,667**	–
Past due but not impaired		
Less than 1 month past due	**–**	–
1 to 3 months past due	**–**	–
Over 3 months past due	**1,015**	–
	1,015	–
	3,682	–

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. The balances of RMB2,667,000 are fully recovered subsequent to the year end date.

Receivables that were past due but not impaired related to two independent customers that have a good track record with the Group. Management believes that no impairment allowance is necessary in respect of these balances as the balances of RMB1,015,000 are fully recovered subsequent to the year end date. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables *(note (c))*	**6,837**	1,173
Accruals and other payables	**5,819**	4,740
Amounts due to related parties *(note (d))*	**2,198**	–
Financial liabilities measured at amortised cost	**14,854**	5,913

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 aging analysis of trade payables, based on the date of receipt of goods or services rendered, at the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
0 to 30 days	**2,866**	834
31 days to 90 days	**1,811**	259
Over 90 days	**2,160**	80
	6,837	1,173

The average credit period of purchases is 30 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit period.

(d) The amounts are unsecured, interest free and repayable on demand.

11. RECEIPTS IN ADVANCE

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 receipts in advance. When the Deed Holders have defaulted payment for two months and do not pay back the defaulted amounts after the Group's not less than 30-day's demand notice, the funeral services deeds would be regarded as lapsed and a minimum of 20% of the total sum of the funeral services deeds or the instalments paid, whichever is lower, will be forfeited as income. The Deed Holders can request for funeral services or terminate the funeral services deeds at any time after the funeral service deeds are sold. Accordingly, receipts in advance is classified as current liabilities in the consolidated statement of financial position.

According to the Mortuary Service Administration Act (殯葬管理條例) in Taiwan, which was first promulgated on 17 July 2002 and further amended on 1 July 2003 and 4 July 2007, the Group has to deposit 75% of the gross receipt of each funeral services deed entered into after 31 July 2003 in financial institutions in Taiwan as trust monies. As at 31 December 2011, the Group has deposited approximately RMB40,710,000 (2010: RMB42,159,000) in those three financial institutions in Taiwan.

If the Deed Holders terminate the funeral services deeds or the funeral services deeds are lapsed, a minimum of 20% of the total sum of the funeral services deeds or the instalments paid, whichever is lower, will be forfeited as income. The Group recognised a net gain on termination/lapse of funeral services deeds of approximately RMB707,000 (2010: RMB132,000) in "other net (loss)/gain" in the consolidated statement of comprehensive income for the year.

12. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2011 not provided for in the financial statements are as follows:

	2011	2010
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for:		
– Acquisition of property, plant and equipment	**551**	2,589
– Investment in a joint venture	**6,500**	6,500
	7,051	9,089

13. 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:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**11,018**	14,248
In the second to fifth year, inclusive	**70,490**	63,604
After five years	**122,600**	138,183
	204,108	216,035

Operating lease payments represent rentals payable by the Group for certain of its sales offices and hire of funeral parlours and funeral services centres. 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 payments:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**8**	4

14. PLEDGE OF ASSETS

As at 31 December 2011, bank borrowings and other loans of the Group were secured by freehold land and buildings with an aggregate carrying amount of RMB16,006,000 (2010: RMB19,648,000) and RMB5,807,000 (2010: RMB8,335,000) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover derived from the funeral services business provided in the PRC market was RMB52.1 million for the year ended 31 December 2011, representing an decrease of 5.4% from the same period last year, and accounted for 71.9% of the Group's turnover. Gross profit margin of the Group's core funeral services business in the PRC remained at a high level at approximately 77.1%.

In 2011, the Group provides principally management services to Chongqing Jiang Nan Funeral Parlour（重慶市江南殯儀館）, Chongqing Zhong County Funeral Parlour ("Zhong Parlour")（重慶市忠縣殯儀館）, An Fu Fureral Service Centre（安福堂治喪中心）, Rongchong County Funeral Parlour ("Rongchong")（榮昌縣殯儀館）and Chongqing Nanan District Lian Hua Tang Funeral Service Limited ("Lian Hua Tang")（重慶市南岸區蓮花堂殯儀服務有限公司）in Chongqing the PRC. While expanding the business, the Group has adopted a set of comprehensive Standard Operation Procedures (SOP) and commenced the trial operation of a set of enterprise resource planning (ERP) operation system specially designed for funeral parlours. Information technology will further enhance human resource management and will also assure the correctness and efficiency of the whole workflow. Meanwhile, the control of the operation costs and the analysis of service types will also be improved.

In January 2011, the Group's office in Hung Hom, Hong Kong, was officially opened and went into operation to promote its new products, "Complete Lifetime Service Deed" as well as other funeral services. The sales department in the Hunghom Office enables customers to have more direct and in depth understanding of the nature of the Complete Lifetime Service Deed, and has enhanced market confidence in the concept and business, which is of material importance in the sale of Complete Lifetime Service Deed. Moreover, the Group has also been granted a license by the Director of Food and Environmental Hygiene to carry on the business of an undertaker of burials in compliance with the Undertakers of Burials Regulation, Chapter 132CB of the Laws of Hong Kong on 25 February 2011.

The Group participated in the Hong Kong Senior Fair which was held from 20 to 22 May 2011. The Fair covered all ranges of services and products targeting senior citizens. As a leading funeral services provider in Greater China, apart from providing more information on the new service fusing the "Complete Lifetime Service Deed", the Group also shared with the participants the operating philosophy of the Group with an aim to further strengthen the Group's brand awareness and visibility in Hong Kong.

The Group is also committed to exploring funeral related business. The Group acquired 55% of equity interest of Jing Run Limited ("Jing Run") by the subscription of 550,000 shares of Jing Run of US$1.00 each at a consideration of US$550,000 (approximately RMB3.6 million) in April 2011. Jing Run was mainly engaged in the trading of raw marble used for the construction of buildings and gravestones. The Group's turnover derived from that business was RMB14.3 million for the year ended 31 December 2011, which accounted for 19.7% of the Group's turnover.

Turnover derived from funeral services business provided in the Taiwan market was RMB5.9 million for the year ended 31 December 2011, representing a decrease of 52.8% from the same period last year, and accounted for 8.1% 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.

PROSPECTS

Looking ahead, the Group will adopt more aggressive strategies in steering its major businesses, including funeral services and raw marble trading, towards more robust growth. The PRC and Hong Kong will continue to be the Group's key development regions. Building on its extensive experience and solid financial position as well as a strong professional management team, the Group will seek to tap the huge potential opportunities in its respective business sectors.

For its funeral services business, the Group is planning to put greater efforts into enhancing the profitability and competitiveness of its current operations. New management contracts for funeral service centres, parlours and cemeteries are under negotiation in other area in the PRC. The Group also intends to continue evaluation of potential investment opportunities including expanding into other regions with huge potential, such as Southeast Asia.

In addition to provision of funeral services, the Group will bring in funeral related products, services and technologies from Japan, resell them to customers and the industry, and provide relevant trainings in future. The Group has officially entered into a shareholders agreement with a Japanese-invested foreign enterprise on 24 November 2011 to establish a new joint venture ("Joint Venture"). The initial investment amount of the Joint Venture amounted to US$500,000 (approximately RMB3,147,000), of which the Group has already invested US$300,000 (approximately RMB1,888,000) in January 2012. The Group held 60% of the issued shares of this company.

As there are approximately 4,000 cemeteries in China, the management is of the view that the Group's vertical integration into the marble segment will provide tremendous opportunities to the Group. Here, the Group can leverage its professional design and knowledge to produce the highend marble products which are more close to the needs in this industry. In addition to cemeteries, marble is also becoming more widely used in construction and furnishing, hence this business can greatly widen the potential income stream of the Group as well.

Financial review

Turnover

The turnover arising from principal activities for the year ended 31 December 2011 was approximately RMB72.5 million (2010: approximately RMB67.6 million), representing an increase of approximately 7.2% as compared to 2010. The increase of total revenue was mainly due to the newly acquired trading of raw marble business, which was approximately RMB14.3 million for the year ended 31 December 2011 and accounted for 19.7% of the Group's turnover. Regarding to the funeral services business provided in the PRC during the year, the turnover was approximately RMB52.1 million (2010: approximately RMB55.1 million), representing an decrease of approximately 5.4% which accounted for 71.9% of the Group's turnover (2010: 81.5%). The turnover generated by the funeral services business provided in Taiwan was approximately RMB5.9 million (2010: approximately RMB12.5 million), or 8.1% of the Group's turnover, representing a decrease of approximately 52.8% as the scope of business of the Group has narrowed.

The turnover from the funeral service provided in funeral parlour and funeral service centres under the Group's management decreased by 3.5%, amounting to approximately RMB39.0 million (2010: approximately RMB40.4 million). The drop was mainly due to the decrease in the number of funeral services provided from 2,715 for 2010 to 2,601 for 2011. The average spending per service provided remain nearly the same of RMB14,987 for 2011 (2010: RMB14,886). The decrease in the number of funeral services provided was due to net effect of the cessation of the provision of management services to Chongqing Tian Fu Funeral Service Centre and Yibin Funeral Service Centre in December 2010 and the commencement of the provision of management services to Rongchong and Lian Hua Tang in January 2011.

The turnover from the cremation services decreased by 7.0%, amounting to approximately RMB10.7 million (2010: approximately RMB11.5 million). Although there was a decrease in the number of cremation services provided from 9,425 for 2010 to 8,454 for 2011, the average spending per service provided increased from RMB1,219 for 2010 to RMB1,261 for 2011. The decrease in the number of cremation services was due to the narrowing for the densely populated urban areas that required for cremation of the county in which Zhong Parlour located by the local government authority. The increase in average spending was due to the increase in the customer spending power in 2011 and the fact that higher fees could be charged after refurbishment of the cremation facilities. Under the funeral parlour management agreement and funeral service centre management agreements, the Group is entitled to all income and responsible for all liabilities and all expenses incurred in the funeral parlour and funeral service centres under the Group's management.

The revenue generated from funeral arrangement services provided in Taiwan and Hong Kong was approximately RMB6.1 million (2010: approximately RMB12.5 million), representing a decline of 51.2% 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 2011 and resulted in the decrease in the total turnover here.

Gross Profit and Gross Profit Margin

Gross profit decrease by 9.5% to approximately RMB45.6 million (2010: approximately RMB50.4 million), and gross profit margin decreased to approximately 62.9% (2010: approximately 74.5%). The gross profit margin of funeral services provided in funeral parlour and funeral service centres under the Group's management decreased to approximately 74.5% (2010: approximately 78.0%) which was mainly due to the increase in material cost for provision of funeral services. The gross profit margin of cremation services slightly decreased to approximately 85.9% (2010: approximately 86.1%) which was mainly due to the net effect of increase in average spending per service by 3.4% and increase in fuel cost for cremation and that of funeral arrangement services in Taiwan decreased to approximately 40.6% (2010: approximately 48.0%). The gross profit margin of trading of marble business was approximately 20.3%.

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; (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; and (v) the cost of raw marble in respect of the business of trading of raw marble.

Selling and Administrative Expenses

Selling expenses increased by approximately 39.8% to approximately RMB26.7 million (2010: approximately RMB19.1 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 36.8% (2010: approximately 28.3%). Administrative expenses rose by approximately 30.2% to approximately RMB43.1 million (2010: approximately RMB33.1 million) as a result of (i) 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; (ii) increased staff costs due to increase in number of staff; and (iii) the promotion expenses incurred for the commencement of business operation in Hong Kong. The proportion of administrative expenses to turnover was approximately 59.4% (2010: approximately 49.0%). Finance costs reminded nearly the same of approximately RMB0.3 million (2010: approximately RMB0.3 million) because of the decline in bank interest rates. Income tax expense decreased by approximately 61.4% to approximately RMB1.7 million (2010: approximately RMB4.4 million).

Loss for the Year

In 2011, loss attributable to owners of the Company for the year was approximately RMB30.1 million (2010: profit of approximately RMB1.1 million). The loss for the year ended 31 December 2011 was mainly due to (i) the decrease in value of financial assets designated as at fair value through profit or loss and (ii) the increase in expenses for the expansion of the Group's business in China and Hong Kong.

Liquidity, Financial Resources and Capital Structure

The Group maintains a stable financial position. As at 31 December 2011, the Group had bank balances and cash of approximately RMB194.2 million (2010: approximately RMB242.7 million) and bank and other loans and obligation under finance lease of approximately RMB10.9 million (2010: approximately RMB14.4 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 2.9% as at 31 December 2011 (2010: 3.4%).

The Number and Remuneration of Employees

As at 31 December 2011, the Group employed approximately 390 employees (2010: 362 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 RMB21.8 million (2010: RMB28.0 million).

Contingent Liabilities

As at 31 December 2011, the Group did not have any contingent liabilities (2010: Nil).

Capital Expenditure

For the year ended 31 December 2011, capital expenditure of the Group for property, plant and equipment amounted to approximately RMB4.3 million (2010: approximately RMB8.0 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 2011, 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	308,184,000	41.51%

Substantial shareholders' interests and short positions in the shares and underlying shares

The register of substantial shareholders required to be kept under section 336 of Part XV of SFO showed that as at 31 December 2011, 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 2011, 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 2011 are as follows:

	Date of grant	Exercise price	Exercisable period	Option held at 1 January 2011	Options lapsed during the year	Options held at 31 December 2011
Directors of the Company or its subsidiaries *(Note)*	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	1,600,000	–	1,600,000
Continuous contract employees	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	10,936,000	(100,000)	10,836,000
Consultants	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	40,300,000	–	40,300,000
				52,836,000	(100,000)	52,736,000

Note: Share options to subscribe for 1,600,000 shares was granted to Mr. Mak King Sau ("Mr. Mak") on 11 February 2010. On 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 2011, 2,984,000 of 52,736,000 options were exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,752,000 of 52,736,000 options are exercisable over five years from the date of grant, with 20% each of the options granted exercisable at six months and first calendar date following four years from the date of grant.

Save as disclosed above, as at 31 December 2011, 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 2011.

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 2011, 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 2011.

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 2011 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 2012 Annual General Meeting of the Company will be held on 2 May 2012, Wednesday and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 April 2012, Wednesday to 2 May 2012, Wednesday (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending at the annual general meeting of the Company to be held on 2 May 2012, Wednesday, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 April 2012, Tuesday.

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 2011.

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

Hong Kong, 22 March 2012

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.