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)

HALF YEARLY RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: the information contained in this announcement and report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement or report misleading.

HALF YEARLY RESULTS (UNAUDITED)

The board of Directors (the "Board") is here to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2013 together with the comparative unaudited consolidated figures for the corresponding period in 2012. The interim financial statements have not been audited, but have been reviewed and agreed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Three months ended 30 June		Six months ended 30 June	
		2013	2012	**2013**	2012
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Turnover	*4(a)*	**13,615**	14,905	**29,730**	32,025
Cost of sales		**(3,321)**	(3,785)	**(7,607)**	(8,043)
Gross profit		**10,294**	11,120	**22,123**	23,982
Other revenue and other net gain/(loss)	*5*	**985**	(112)	**1,984**	1,481
Selling expenses		**(6,086)**	(6,149)	**(12,060)**	(13,486)
Administrative expenses		**(9,521)**	(10,781)	**(18,821)**	(21,098)
Other operating expenses		**–**	(16)	**(470)**	(261)
Loss from operations		**(4,328)**	(5,938)	**(7,244)**	(9,382)
Finance costs	*6(a)*	**(123)**	(66)	**(139)**	(116)
Loss before taxation	*6*	**(4,451)**	(6,004)	**(7,383)**	(9,498)
Income tax	*7*	**(62)**	(314)	**(249)**	(711)
Loss for the period		**(4,513)**	(6,318)	**(7,632)**	(10,209)
Other comprehensive income/(loss) for the period (after tax)					
Item that will not be reclassified to profit or loss:					
Surplus on revaluation of land and buildings held for own use		**240**	739	**240**	739
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of operations outside the People's Republic of China ("non-PRC operations")					
– Exchange differences arising during the period		**(3,402)**	1,484	**(4,946)**	1,934
– Reclassification adjustments relating to non-PRC operations disposed of during the period		**–**	(76)	**–**	(76)
		(3,402)	1,408	**(4,946)**	1,858
Other comprehensive (loss)/income for the period, net of tax		**(3,162)**	2,147	**(4,706)**	2,597
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(7,675)**	(4,171)	**(12,338)**	(7,612)

	Note	Three months ended 30 June		Six months ended 30 June	
		2013	2012	**2013**	2012
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss)/profit attributable to:					
Owners of the Company		**(4,391)**	(6,301)	**(7,375)**	(10,226)
Non-controlling interests		**(122)**	(17)	**(257)**	17
		(4,513)	(6,318)	**(7,632)**	(10,209)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		**(7,494)**	(4,180)	**(12,015)**	(7,602)
Non-controlling interests		**(181)**	9	**(323)**	(10)
		(7,675)	(4,171)	**(12,338)**	(7,612)
Loss per share	*8*				
Basic and diluted		**RMB(0.59) cents**	RMB(0.85) cents	**RMB(0.99) cents**	RMB(1.38) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**58,875**	55,866
Prepaid lease payments		**3,794**	3,835
Intangible assets		**2**	2
Deposits for hire of funeral parlours and funeral services centres	12	**3,700**	3,700
		66,371	63,403
CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss	11	**39,770**	42,603
Development and formation costs		**6,941**	5,164
Inventories		**1,128**	996
Tax recoverable		**41**	440
Trade and other receivables	12	**54,791**	55,709
Prepaid lease payments		**82**	82
Pledged bank deposits		**–**	17,869
Cash and cash equivalents		**150,723**	159,729
		253,476	282,592
CURRENT LIABILITIES			
Trade and other payables	13	**7,169**	9,597
Receipts in advance		**97,977**	104,686
Current portion of bank borrowings	14	**6,130**	10,699
Current portion of other loan	14	**211**	213
Current taxation		**1,170**	946
		(112,657)	(126,141)
NET CURRENT ASSETS		**140,819**	156,451
TOTAL ASSETS LESS CURRENT LIABILITIES		**207,190**	219,854
NON-CURRENT LIABILITIES			
Bank borrowings	14	**8,720**	9,448
Other loan	14	**–**	112
		(8,720)	(9,560)
NET ASSETS		**198,470**	210,294
EQUITY			
Equity attributable to owners of the Company			
Share capital		**69,218**	69,218
Reserves		**125,116**	136,917
		194,334	206,135
Non-controlling interests		**4,136**	4,159
TOTAL EQUITY		**198,470**	210,294

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital *RMB'000*	Share premium *RMB'000*	Merger reserve *RMB'000*	Statutory reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Properties revaluation reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Accu-mulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2012 (audited)	69,218	220,633	(16,261)	225	1,550	487	(11,775)	6,339	(36,577)	233,839	3,053	236,892
Loss for the period	–	–	–	–	–	–	–	–	(10,226)	(10,226)	17	(10,209)
Surplus on revaluation of land and buildings held for own use	–	–	–	–	–	739	–	–	–	739	–	739
Exchange differences on translation of financial statements of non-PRC operations	–	–	–	–	–	–	1,885	–	–	1,885	(27)	1,858
Other comprehensive income	–	–	–	–	–	739	1,885	–	–	2,624	(27)	2,597
Total comprehensive loss for the period	–	–	–	–	–	739	1,885	–	(10,226)	(7,602)	(10)	(7,612)
Equity-settled share-based transactions	–	–	–	–	–	–	–	745	–	745	–	745
Lapse of share options granted	–	–	–	–	–	–	–	(52)	52	–	–	–
Capital contribution received by a non-wholly owned subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,288	1,288
Decrease in non-controlling interests arising on acquisition of additional interests in a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	–	–	(3)	(3)
At 30 June 2012 (unaudited)	69,218	220,633	(16,261)	225	1,550	1,226	(9,890)	7,032	(46,751)	226,982	4,328	231,310
At 1 January 2013 (audited)	69,218	220,633	(16,261)	225	1,550	1,067	(12,038)	7,720	(65,979)	206,135	4,159	210,294
Loss for the period	–	–	–	–	–	–	–	–	(7,375)	(7,375)	(257)	(7,632)
Surplus on revaluation of land and buildings held for own use	–	–	–	–	–	240	–	–	–	240	–	240
Exchange differences on translation of financial statements of non-PRC operations	–	–	–	–	–	–	(4,880)	–	–	(4,880)	(66)	(4,946)
Other comprehensive loss	–	–	–	–	–	240	(4,880)	–	–	(4,640)	(66)	(4,706)
Total comprehensive loss for the period	–	–	–	–	–	240	(4,880)	–	(7,375)	(12,015)	(323)	(12,338)
Equity-settled share-based transactions	–	–	–	–	–	–	–	214	–	214	–	214
Lapse of share options granted	–	–	–	–	–	–	–	(9)	9	–	–	–
Capital contribution received by a non-wholly owned subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	–	–	300	300
At 30 June 2013 (unaudited)	69,218	220,633	(16,261)	225	1,550	1,307	(16,918)	7,925	(73,345)	194,334	4,136	198,470

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash used in operations	**(10,108)**	(3,265)
Income taxes recovered/(paid)		
Taiwan	**387**	–
The People's Republic of China ("PRC")	**(26)**	(608)
Net cash used in operating activities	**(9,747)**	(3,873)
Net cash generated from/(used in) investing activities	**12,007**	(2,293)
Net cash (used in)/generated from financing activities	**(4,636)**	765
Net decrease in cash and cash equivalents	**(2,376)**	(5,401)
Cash and cash equivalents at 1 January	**159,729**	194,171
Effect of foreign exchange rates changes	**(6,630)**	3,127
Cash and cash equivalents at 30 June	**150,723**	191,897
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand	**150,723**	191,897

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2013

1. GENERAL

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. Its ultimate controlling party is Mr. Liu Tien-Tsai.

The consolidated interim financial report for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is 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").

2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), including compliance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 9 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2013.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
- HKFRS 10, *Consolidated Financial Statements*
- HKFRS 11, *Joint Arrangements*
- HKFRS 12, *Disclosure of Interests in Other Entities*
- HKFRS 13, *Fair Value Measurement*
- Revised HKAS 19, *Employee Benefits*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosures – Offsetting Financial Assets and Financial Liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and Separate Financial Statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special Purpose Entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, Joint Arrangements

HKFRS 11, which replaces HKAS 31, *Interests in Joint Ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

The application of this new standard had no impact on the financial position and the financial results of the Group because the Group has no such interests in joint arrangements.

HKFRS 12, Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 15. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Revised HKAS 19, Employee Benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

The application of this revised standard had no impact on the financial position and the financial results of the Group because the Group has no defined benefit plans.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

Amendments to HKFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial Instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

4. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Funeral services provided in funeral parlours and funeral service centres under the Group's management	**17,915**	20,934
Cremation services	**7,695**	7,385
Funeral arrangement services	**2,239**	2,472
Cemetery services	**1,881**	1,223
Trading of raw marble	**–**	11
	29,730	32,025

(b) Segment information

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

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 period ended 30 June 2013 and 2012 is set out below:

	Six months ended 30 June 2013 (Unaudited)				
		Funeral services		**Trading of raw marble**	**Total**
	Taiwan	**Hong Kong**	**PRC**		
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment revenue					
– Revenue from external customers	**1,318**	**921**	**27,491**	**–**	**29,730**
Reportable segment loss	**(1,310)**	**(585)**	**(1,335)**	**(1)**	**(3,231)**

	Six months ended 30 June 2012 (Unaudited)				
		Funeral services		Trading of raw marble	Total
	Taiwan	Hong Kong	PRC		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue					
– Revenue from external customers	1,770	702	29,542	11	32,025
Reportable segment loss	(1,465)	(1,132)	(803)	(682)	(4,082)

There are no inter-segment sales for the six months ended 30 June 2013 and 2012.

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

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 June 2013 and 31 December 2012:

	At 30 June 2013 (Unaudited)				
	Funeral services			**Trading of raw marble**	**Total**
	Taiwan	**Hong Kong**	**PRC**		
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**191,430**	**1,148**	**56,213**	**4,203**	**252,994**
Reportable segment liabilities	**108,465**	**582**	**6,241**	**–**	**115,288**

	At 31 December 2012 (Audited)				
	Funeral services			Trading of raw marble	Total
	Taiwan	Hong Kong	PRC		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	202,406	1,289	46,919	4,398	255,012
Reportable segment liabilities	115,356	484	7,649	116	123,605

Reconciliation of reportable segment loss

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment loss derived from Group's external customers	**(3,231)**	(4,082)
Other revenue and other net gain	**1,984**	1,481
Finance costs	**(139)**	(116)
Unallocated head office and corporate expenses		
– Depreciation and amortisation	**(510)**	(108)
– Staff costs (including directors' remunerations)	**(2,997)**	(2,976)
– Operating lease charges: minimum lease payments	**(217)**	(227)
– Equity-settled share-based payment expenses	**(144)**	(381)
– Others	**(2,129)**	(3,089)
Consolidated loss before taxation	**(7,383)**	(9,498)

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other revenue		
Interest income on bank deposits	**573**	164
Interest income on coupon bonds	**–**	10
Total interest income on financial assets not at fair value through profit or loss	**573**	174
Sundry income	**286**	85
	859	259
Other net gain/(loss)		
Gain on disposal of subsidiaries	**–**	734
Loss on disposal of property, plant and equipment	**(148)**	(67)
Surplus on revaluation of land and buildings held for own use	**305**	–
Net exchange gain	**284**	52
Net gain on foreign exchange forward contracts	**85**	–
Net gain on terminated and lapsed funeral services deeds	**106**	278
Net realised and unrealised gain on financial assets designated as at fair value through profit or loss	**493**	225
	1,125	1,222
	1,984	1,481

6. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging the followings:

		Six months ended 30 June	
		2013	2012
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(a)	Finance costs		
	Interests on bank borrowings and other loans		
	– wholly repayable within 5 years	**47**	16
	– not wholly repayable within 5 years	**92**	99
	Finance charges on obligation under finance lease	**–**	1
	Total interest expenses on financial liabilities not at fair value through profit or loss	**139**	116
(b)	Staff costs (including directors' remunerations)		
	Salaries, wages and other benefits	**9,531**	9,416
	Equity-settled share-based payment expenses	**70**	364
	Contributions to defined contribution retirement plans	**921**	903
		10,522	10,683
(c)	Other items		
	Amortisation of prepaid lease payments	**41**	–
	Auditors' remuneration		
	– other services	**168**	–
	Cost of inventories	**4,503**	4,701
	Depreciation		
	– assets held for own use under finance leases	**–**	2
	– other assets	**2,434**	2,383
	Operating lease charges: minimum lease payments		
	– rented premises	**428**	672
	– hire of plant and equipment	**119**	174
	– hire of funeral parlours and funeral service centres	**7,224**	7,376
	Equity-settled share-based payment expenses	**144**	381

7. INCOME TAX

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax *(note (c))*	**249**	711

Notes:

(a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2013 (2012: RMBNil).

(b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the British Virgin Islands for the six months ended 30 June 2013 (2012: RMBNil).

(c) The subsidiaries operating in the PRC are subject to enterprise income tax rate at 25% (2012: 25%) in accordance with the Law of the People's Republic of China on Enterprises Income Tax（中華人民共和國企業所得稅法）except that Chongqing Xizhou Funeral Service Company Limited ("Xizhou"), an indirect wholly owned subsidiary of the Company, is entitled to a preferential tax rate of 15% for the enterprise income tax in accordance with 西部大開發企業所得稅優惠, which is retrospectively applied to Xizhou from January 2011 and, provided that the conditions precedent to entitlement of preferential tax rate are fulfilled by Xizhou in each of subsequent years, the preferential tax rate can be applied to Xizhou up to December 2020.

(d) No provision for enterprise income tax has been made for Bau Shan Life Science Technology Co., Ltd. ("Bau Shan"), a direct subsidiary of the Company, and Bau De Funeral Services Holdings Co., Ltd. ("Bau De"), an indirect subsidiary of the Company, as both Bau Shan and Bau De sustained losses for the six months ended 30 June 2013 and 2012.

(e) Bao Son Life Company Limited ("Bao Son Life") and Hoan Loc Viet Duc Hoa Corporation ("HLV Duc Hoa"), the indirect non-wholly-owned subsidiaries of the Company, are subject to Vietnam Corporate Income Tax at 25% on taxable profits determined in accordance with the relevant laws and regulations in Vietnam. No provision for Vietnam Corporate Income Tax has been made as Bao Son Life and HLV Duc Hoa have no assessable profits for the six months ended 30 June 2013.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the three months and six months ended 30 June 2013 are based on the unaudited loss attributable to owners of the Company of RMB4,391,000 (2012: RMB6,301,000) and loss of RMB7,375,000 (2012: RMB10,226,000) respectively and the weighted average number of 742,500,000 ordinary shares (2012: 742,500,000 ordinary shares) and 742,500,000 ordinary shares (2012: 742,500,000 ordinary shares) in issue during the periods.

(b) Diluted loss per share

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

9. DIVIDENDS

The directors do not recommend payment of interim dividend for the six months ended 30 June 2013 (2012: RMBNil).

10. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of RMB6,513,000 (2012: RMB2,366,000). Items of property, plant and equipment with carrying amounts of RMB226,000 were disposed of during the six months ended 30 June 2013 (2012: RMB108,000), resulting in a loss on disposal of RMB148,000 (2012: RMB67,000).

(b) Valuation

The freehold land and buildings held by the Group for own use were revalued as at 30 June 2013 at their open market value by reference to recent market transactions for similar properties. The valuations were carried out by Roma Appraisals Limited, an independent firm of chartered surveyors with recent experience in the location and category of properties being valued.

The revaluation surplus of RMB240,000 (2012: RMB739,000) and surplus of RMB305,000 (2012: RMBNil) have been recognised in other comprehensive income/(loss) and accumulated in properties revaluation reserve and profit or loss for the period respectively.

11. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	At 30 June 2013 *RMB'000* (Unaudited)	At 31 December 2012 *RMB'000* (Audited)
Mutual funds/unit trusts at fair value		
Established outside Hong Kong	**39,770**	42,603

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 entered into after 31 July 2003 in financial institutions in Taiwan as trust monies.

Financial assets designated as at FVTPL are presented within "operating activities" as part of changes in working capital in the condensed consolidated statement of cash flows. The Group has obtained an investment gain of approximately RMB493,000 for the six months ended 30 June 2013 (2012: RMB225,000). Changes in fair values of the above financial assets are recorded in "other revenue and other net gain/(loss)" in the consolidated statement of profit or loss and other 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.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 *RMB'000* (Unaudited)	At 31 December 2012 *RMB'000* (Audited)
Trade receivables	**38**	70
Less: allowance for impairment loss	**–**	–
	38	70
Other receivables	**7,390**	3,337
Less: allowance for impairment loss	**(930)**	(930)
	6,460	2,407
Loans and receivables	**6,498**	2,477
Deposits and prepayments	**51,993**	56,932
	58,491	59,409
Representing:		
Current	**54,791**	55,709
Non-current	**3,700**	3,700
	58,491	59,409

Notes:

Trade receivables are net of allowance for impairment loss of RMBNil (2012: RMBNil) with the following analysis by age presented based on the date of sales of goods or service rendered as at the end of the reporting period:

	At 30 June 2013 *RMB'000* (Unaudited)	At 31 December 2012 *RMB'000* (Audited)
0 to 180 days	**38**	70

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

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

13. TRADE AND OTHER PAYABLES

	At 30 June 2013 *RMB'000* (Unaudited)	At 31 December 2012 *RMB'000* (Audited)
Trade payables	**1,831**	1,660
Accruals and other payables	**5,338**	7,850
Financial liabilities measured at amortised cost	**7,169**	9,510
Derivative financial liabilities	**–**	87
	7,169	9,597

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

	At 30 June 2013 *RMB'000* (Unaudited)	At 31 December 2012 *RMB'000* (Audited)
0 to 30 days	**956**	998
31 days to 90 days	**319**	203
Over 90 days	**556**	459
	1,831	1,660

14. BANK BORROWINGS AND OTHER LOAN

	Bank borrowings			
	Bank borrowings, guaranteed	**Bank borrowings, secured**	**Total bank borrowings**	**Other loan, secured**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2013 (audited)				
– current	–	10,699	10,699	213
– non-current	–	9,448	9,448	112
	–	20,147	20,147	325
New loans raised	5,578	–	5,578	–
Repayments	–	(10,273)	(10,273)	(102)
Effect of foreign currency exchange differences	(52)	(550)	(602)	(12)
Balance at 30 June 2013 (unaudited)	5,526	9,324	14,850	211
Representing:				
Current	5,526	604	6,130	211
Non-current	–	8,720	8,720	–
	5,526	9,324	14,850	211

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

	Fair value at 30 June 2013	Fair value measurements as at 30 June 2013 using: Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Financial assets designated as at FVTPL	39,770	39,770	–	–

	Fair value at 31 December 2012	Fair value measurements as at 31 December 2012 using: Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Financial assets designated as at FVTPL	42,603	42,603	–	–
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	87	–	87	–

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013.

16. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**1,851**	1,744
Post-employment benefits	**13**	5
Equity compensation benefits	**18**	97
	1,882	1,846

Total remuneration is included in "staff costs" *(see note 6(b)).*

(b) Transactions with other related parties

During the six months ended 30 June 2013 and as at that date, certain of the Group's banking facilities were secured by personal guarantee given by Mr. Liu Tien-Tsai, a director and the ultimate controlling party of the Company.

There are no material transactions with other related parties during the six months ended 30 June 2012.

17. CAPITAL COMMITMENTS

Capital commitments outstanding not provided for in the interim financial report are as follows:

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted but not provided for:		
– Acquisition of property, plant and equipment	**2,815**	8,567
– Investment in a joint venture	**6,500**	6,500
	9,315	15,067

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The PRC

Funeral business in the PRC continues to be the driving force of the Group's operations. The Group's turnover derived from the PRC market was RMB27.5 million for the six months ended 30 June 2013, representing a decrease of 6.9% from the corresponding period last year, and accounted for 92.5% 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 78.8%.

In the PRC, the Group is principally engaged in provision of funeral, cremation and cementery 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.

Taiwan

Turnover derived from the Taiwan market was RMB1.3 million for the six months ended 30 June 2013, representing an decrease of 25.5% from the corresponding period last year, and accounted for 4.4% of the Group's turnover.

Hong Kong

Turnover derived from the Hong Kong market was RMB0.9 million for the six months ended 30 June 2013, representing an increase of 31.2% from the corresponding period last year, and accounted for 3.1% of the Group's turnover.

In Taiwan and Hong Kong, 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

The Group entered into a management and construction technical support contract (the "Support Contract") on 4 January 2013, and the Group will be mainly responsible for supporting the overall planning and design of a cemetery park located in Beijing as well as the technical and financial support for the construction of cemetery and tombstone under the Support Contract. The Group will entitle to share 63% of the profit therein. In order to implement the Support Contract, Beijing Xizhou Hangyu Property Management Company Limited ("Xizhou Hangyu")（北京錫周航宇物業管理有限公司）was established on 2 April 2013, in which the Group held 70% of the equity interest. Xizhou Hangyu will take up the operation and management of above-mentioned cemetery park for the period from 15 April 2013 to 31 December 2052.

On 27 February 2013, the Group held a groundbreaking ceremony for the cemetery development project in Vietnam. Also, the sale of the graves of the cemetery started in May 2013. The Group acquired the land use right of the land in Vietnam through entering into a share transfer contract on 6 December 2012 to prepare for the acquisition of the 80% equity interest of a Vietnamese company, and the expected total investment amounted to VND40,000,000,000 (equivalent to approximately RMB12,000,000).

The Group is actively seeking opportunities to expand its reach into the funeral service industry with particular concentration to be focused on the development of cemetery businesses. The Group has a professional service and design team dedicated to the provision of consultancy services for cemeteries. It is anticipated that the cemetery business will provide a solid opportunity to further proliferate the revenue stream of the Group.

Financial Review

For the six months ended 30 June 2013, the overall turnover of the Group arising from principal activities was approximately RMB29.7 million representing a decrease of approximately 7.2% to the corresponding period of last year. The decrease in turnover was mainly attributed to cessation of the management of the operation of An Fu Tang Funeral Service Centre ("An Fu Tang")（安福堂治喪中心）with effect from 31 May 2012.

Cost of Sales for the six months ended 30 June 2013 was approximately RMB7.6 million, representing a decrease of approximately 5.4% from the corresponding period in 2012. The gross profit margin for the six months ended 30 June 2013 remained at the same level of approximately 74.4% compared with approximately 74.9% for the corresponding period in 2012.

The other revenue and other net gain/(loss) for the six months ended 30 June 2013 was approximately RMB2.0 million compared with approximately RMB1.5 million for the corresponding period in 2012. The increase was attributed to increase in the exchange gain and net realised and unrealised gain on financial assets designated as at fair value through profit or loss for the six months ended 30 June 2013.

Selling expenses for the six months ended 30 June 2013 decreased by approximately 10.6% to approximately RMB12.1 million as compared with the corresponding period in 2012. The decrease in the amount of selling expenses was mainly attributable to decreased rental and management costs due to the cessation of the management of the operation of An Fu Tang.

Administrative expenses for the six months ended 30 June 2013 decreased by approximately 10.8% to approximately RMB18.8 million as compared with the corresponding period in 2012 as a result of the net effect of increase in depreciation and decrease in share-based payment expenses.

The loss attributed to the shareholder for the six months ended 30 June 2013 was approximately RMB7.4 million compared with approximately RMB10.2 million from the corresponding period of 2012. The loss was attributed to the cumulative effect of the above mentioned factors.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintains a healthy and sound financial position. As at 30 June 2013, the Group had bank balances and cash of approximately RMB150.7 million (31 December 2012: approximately RMB159.7 million) and bank and other loans of approximately RMB15.1 million (31 December 2012: approximately RMB20.5 million). All bank and other loans were denominated in New Taiwan Dollars and United States Dollars, at prevailing market interest. As at 30 June 2013, the Group had no other material capital commitments, material contracts or significant investment plans, except those disclosed in this announcement. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity facilities to meet operation requirements and acquisition opportunities. The gearing ratio representing the ratio of total borrowing to the total assets of the Group was approximately 4.7% as at 30 June 2013 (31 December 2012: 5.9%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's operations are geographically based in the PRC, Taiwan and Hong Kong. The revenue derived from Taiwan accounted for approximately 4.4% (2012: approximately 5.5%) and Hong Kong accounted for approximately 3.1% (2012: approximately 2.2%) of the total revenue for the six months ended 30 June 2013. The financial statements are presented in Renminbi, while a portion of the revenue and expenses are denominated in New Taiwan Dollar and Hong Kong Dollar. It is possible that the value of Renminbi may fluctuate in value against that of the New Taiwan Dollar and Hong Kong Dollar. The Group's operations results and financial condition may be affected by changes in the exchange rates of Renminbi against the New Taiwan Dollar and Hong Kong Dollar, in which the Group's revenue and expenses are denominated. As at 30 June 2013, the Group did not have any borrowings, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

SIGNIFICANT ACQUISITIONS AND DISPOSAL OF INVESTMENTS

Save as disclosed in "Business Review" section of this announcement, the Group did not have any significant acquisition and disposal of investment as at 30 June 2013.

CHARGE ON GROUP ASSETS

The carrying amounts of property, plant and equipment and bank deposits pledged as security for the Group's bank borrowings and other loan were approximately RMB20.4 million and RMBNil respectively (31 December 2012: approximately RMB21.2 million and RMB17.9 million respectively).

THE NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2013, the Group employed 362 employees (31 December 2012: 339 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.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2013, 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 of the Laws of Hong Kong) ("SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Liu Tien-Tsai	Personal	308,184,000	41.51%

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

The register of substantial shareholders required to be kept under section 336 of Part XV of SFO showed that as at 30 June 2013, the Company was notified of the following substantial shareholders' interests, being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and chief executive:

Aggregate long positions in the Shares

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

Note:

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

Competing business

As at 30 June 2013, 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 30 June 2013 are as follows:

				Number of share options		
Name/category of participants	**Date of grant**	**Exercise price per share**	**Exercisable period**	**At 1 January 2013**	**Lapsed**	**At 30 June 2013**
Directors of the Company						
Mr. Kim Eun Back	16 January 2012	HK$0.60	16 January 2013 to 15 January 2017	2,000,000	–	2,000,000
Directors of subsidiaries						
Ms. Pan Hsiu-Ying	16 January 2012	HK$0.60	16 January 2013 to 15 January 2017	1,000,000	–	1,000,000
Mr. Wang Shun Lang	16 January 2012	HK$0.60	16 January 2013 to 15 January 2017	1,000,000	–	1,000,000
Mr. Chung Yuan-Yuan	16 January 2012	HK$0.60	16 January 2013 to 15 January 2017	1,000,000	–	1,000,000
Ms. Chang Hui-Lan	16 January 2012	HK$0.60	16 January 2013 to 15 January 2017	1,000,000	–	1,000,000
Continuous contract employees	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	10,172,000	–	10,172,000
	16 January 2012	HK$0.60	16 January 2013 to 15 January 2017	7,960,000	(280,000)	7,680,000
Consultants	11 February 2010	HK$1.18	11 August 2010 to 11 February 2020	41,900,000	–	41,900,000
				66,032,000	(280,000)	65,752,000

The options granted on 11 February 2010 expire ten years from the date of grant. As at 30 June 2013, 2,984,000 of 52,736,000 options were exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,752,000 of 52,736,000 options are exercisable over five years from the date of grant, with 20% each of the options granted exercisable at six months and first calendar date following four years from the date of grant.

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

Save as disclosed above, as at 30 June 2013, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates have been granted share options under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2013, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

CORPORATE GOVERNANCE

For six months ended 30 June 2013 up to the date hereof, the Company had complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code (taking effect from 1 April 2012) as contained in Appendix 15 to the GEM Listing Rules, except for Code Provision A.2.1.

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from 9 September 2009 (the "Listing Date") to 30 June 2013 is set out below:

	Business objectives for the period from the Listing Date to 30 June 2013 as stated in the Prospectus	Actual business progress up to 30 June 2013
1.	Expand funeral services network in other major cities by entering into funeral-services agreement	The Group has implemented two of the memoranda of understanding (the "MOU") disclosed in the "Future Plan and Prospects" section of the Prospectus. The Group is in the process of negotiating the terms with the owners of remaining funeral parlours and new funeral service centres. The Group has also signed other two new subcontracting agreements during 2010. The Group has commenced business in Beijing and Vietnam during 2013.
2.	Develop business in columbarium in Taiwan	As disclosed in the announcement by the Company on 5 January 2011, the register for the owner of the columbarium was changed. At present, the new owner is still negotiating with Bau Shan Life Science Technology Co., Ltd.（寶山生命科技股份有限公司）("Bau Shan"), the direct subsidiary of the Company, as to the continuance of the agency agreement to sell cubicles and space for urn storage in the columbarium (the "Products") in Miaoli County in Taiwan or the sale of the columbarium (and the Products) to Bau Shan.

3.	Purchase of funeral service equipment and facilities	The Group is conducting the feasibility study on advanced equipment and facilities designated for funeral. On 24 November 2011, the Group entered into a shareholders agreement with a Japanese-invested enterprise for the plan of bringing funeral related products, services and technologies from Japan.
4.	Refurbishment of new and existing service centres	The Group has started the decoration and improvement of funeral parlour and services centres.
5.	Expansion of marketing network	The Group has started the establishment of the website and organised and sponsored a forum and research on the funeral industry.

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from the Listing Date to 30 June 2013, the net proceeds from issuance of new shares of the Company had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Listing Date to 30 June 2013 *RMB'000*	**Actual use of proceeds from the date of listing to 30 June 2013** *RMB'000*
Expand funeral services network in other major cities by entering into funeral-services agreement	12,960	12,960
Develop business in columbarium in Taiwan	11,560	–
Purchase of funeral service equipment and facilities	28,600	8,345
Refurbishment of new and existing service centres	21,266	21,266
Expansion of marketing network	1,450	1,450

The Group has to renegotiate several terms and conditions with the owners of the funeral parlours and new funeral service centres under the MOUs and the owner of columbarium in Taiwan.

Due to the above reasons and since certain expansion activities were postponed, the net proceeds applied during the period from the Listing Date to 30 June 2013 are less than expected. The Directors expect that most of the business objectives stated in the Prospectus for the period from the Listing Date to 30 June 2013 will be revisited in the second half of 2013.

All the remaining proceeds as at 30 June 2013 had been placed as interest bearing deposits in banks.

AUDIT COMMITTEE

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

The audit committee has reviewed the financial statements of the Group for the six month period ended 30 June 2013 pursuant to the relevant provisions contained in the CCGP and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 9 August 2013

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

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