SINO LIFE

# SINO-LIFE GROUP LIMITED
# 中國生命集團有限公司

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

**(Stock Code: 8296)**

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

## FINAL RESULTS

The board of directors (the "Board") of the Company hereby presents the following audited consolidated results of the Group for the year ended 31 December 2013 together with the comparative audited figures for year 2012. These results have been reviewed by the audit committee of the Board.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2013*

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Turnover** | *3(a)* | **63,106** | 61,767 |
| Cost of sales | | **(15,975)** | (15,479) |
| **Gross profit** | | **47,131** | 46,288 |
| Other revenue | *4* | **1,628** | 1,540 |
| Other net (loss)/gain | *4* | **(1,856)** | 5,502 |
| Selling expenses | | **(24,402)** | (25,116) |
| Administrative expenses | | **(37,074)** | (44,103) |
| Other operating expenses | | **(1,047)** | (12,439) |
| **Loss from operations** | | **(15,620)** | (28,328) |
| Finance costs | *5(a)* | **(346)** | (237) |
| **Loss before taxation** | *5* | **(15,966)** | (28,565) |
| Income tax | *6* | **(848)** | (1,224) |
| **Loss for the year** | | **(16,814)** | (29,789) |
| **Other comprehensive (loss)/income for the year (after tax)** | | | |
| Item that will not be reclassified to profit or loss: | | | |
| Surplus on revaluation of land and buildings held for own use | | **416** | 580 |
| 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 year | | **(6,623)** | (309) |
| – Reclassification adjustments relating to non-PRC operations disposed of during the year | | **–** | (76) |
| | | **(6,623)** | (385) |
| **Other comprehensive (loss)/income for the year, net of tax** | | **(6,207)** | 195 |
| **Total comprehensive loss for the year, net of tax** | | **(23,021)** | (29,594) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(16,175)** | (29,487) |
| Non-controlling interests | | **(639)** | (302) |
| | | **(16,814)** | (29,789) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(22,256)** | (29,170) |
| Non-controlling interests | | **(765)** | (424) |
| | | **(23,021)** | (29,594) |
| **Loss per share** | *7* | | |
| Basic and diluted | | **RMB(2.18) cents** | RMB(3.97) cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2013*

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **57,978** | 55,866 |
| Prepaid lease payments | | **3,753** | 3,835 |
| Intangible assets | | **2** | 2 |
| Deposits for hire of funeral parlours and funeral services centres | *9* | **3,700** | 3,700 |
| | | **65,433** | 63,403 |
| **CURRENT ASSETS** | | | |
| Financial assets designated as at fair value through profit or loss | | **40,558** | 42,603 |
| Development and formation costs | | **6,525** | 5,164 |
| Inventories | | **637** | 996 |
| Tax recoverable | | **40** | 440 |
| Trade and other receivables | *9* | **66,293** | 55,709 |
| Prepaid lease payments | | **82** | 82 |
| Pledged bank deposits | | **–** | 17,869 |
| Cash and cash equivalents | | **122,820** | 159,729 |
| | | **236,955** | 282,592 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *10* | **9,143** | 9,597 |
| Receipts in advance | *11* | **95,820** | 104,686 |
| Current portion of bank borrowings | | **602** | 10,699 |
| Current portion of other loan | | **106** | 213 |
| Current taxation | | **1,788** | 946 |
| | | **(107,459)** | (126,141) |
| **NET CURRENT ASSETS** | | **129,496** | 156,451 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **194,929** | 219,854 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank borrowings | | **8,309** | 9,448 |
| Other loan | | **–** | 112 |
| | | **(8,309)** | (9,560) |
| **NET ASSETS** | | **186,620** | 210,294 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **69,218** | 69,218 |
| Reserves | | **115,118** | 136,917 |
| | | **184,336** | 206,135 |
| **Non-controlling interests** | | **2,284** | 4,159 |
| **TOTAL EQUITY** | | **186,620** | 210,294 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2013*

| | 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 2012** | 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 year | – | – | – | – | – | – | – | – | (29,487) | (29,487) | (302) | (29,789) |
| Surplus on revaluation of land and buildings held for own use | – | – | – | – | – | 580 | – | – | – | 580 | – | 580 |
| Exchange differences on translation of financial statements of non-PRC operations | – | – | – | – | – | – | (263) | – | – | (263) | (122) | (385) |
| Other comprehensive income | – | – | – | – | – | 580 | (263) | – | – | 317 | (122) | 195 |
| Total comprehensive loss for the year | – | – | – | – | – | 580 | (263) | – | (29,487) | (29,170) | (424) | (29,594) |
| Equity-settled share-based transactions | – | – | – | – | – | – | – | 1,466 | – | 1,466 | – | 1,466 |
| Lapse of share options granted | – | – | – | – | – | – | – | (85) | 85 | – | – | – |
| Capital contributions received by non-wholly owned subsidiaries from non-controlling interests | – | – | – | – | – | – | – | – | – | – | 1,532 | 1,532 |
| Decrease in non-controlling interests arising on acquisition of additional interests in a non-wholly owned subsidiary | – | – | – | – | – | – | – | – | – | – | (2) | (2) |
| **At 31 December 2012** | 69,218 | 220,633 | (16,261) | 225 | 1,550 | 1,067 | (12,038) | 7,720 | (65,979) | 206,135 | 4,159 | 210,294 |
| **At 1 January 2013** | **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 year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(16,175)** | **(16,175)** | **(639)** | **(16,814)** |
| Surplus on revaluation of land and buildings held for own use | **–** | **–** | **–** | **–** | **–** | **416** | **–** | **–** | **–** | **416** | **–** | **416** |
| Exchange differences on translation of financial statements of non-PRC operations | **–** | **–** | **–** | **–** | **–** | **–** | **(6,497)** | **–** | **–** | **(6,497)** | **(126)** | **(6,623)** |
| Other comprehensive loss | **–** | **–** | **–** | **–** | **–** | **416** | **(6,497)** | **–** | **–** | **(6,081)** | **(126)** | **(6,207)** |
| Total comprehensive loss for the year | **–** | **–** | **–** | **–** | **–** | **416** | **(6,497)** | **–** | **(16,175)** | **(22,256)** | **(765)** | **(23,021)** |
| Equity-settled share-based transactions | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **402** | **–** | **402** | **–** | **402** |
| Lapse of share options granted | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(118)** | **118** | **–** | **–** | **–** |
| Capital contributions received by a non-wholly owned subsidiary from non-controlling interests | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **300** | **300** |
| Decrease in non-controlling interests arising on disposal of interests in a non-wholly owned subsidiary | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(263)** | **(263)** |
| Disposal of revalued property | **–** | **–** | **–** | **–** | **–** | **(295)** | **–** | **–** | **295** | **–** | **–** | **–** |
| Acquisition of additional interests in a non-wholly owned subsidiary | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **55** | **55** | **(1,147)** | **(1,092)** |
| **At 31 December 2013** | **69,218** | **220,633** | **(16,261)** | **225** | **1,550** | **1,188** | **(18,535)** | **8,004** | **(81,686)** | **184,336** | **2,284** | **186,620** |

# NOTES TO THE 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. Its ultimate controlling party is Mr. Liu Tien-Tsai.

The Company is principally engaged in investment holding. The subsidiaries are mainly engaged in the provision of funeral services, sale of graves, provision of cemetery maintenance services and trading of raw marble. The Company and its subsidiaries are herein collectively referred to as the "Group". The address of the Company's registered office and principal place of business are Marquee Place, Suite 300, 430 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands and Shops 1-4, G/F Lok Ka House, 240-242 Chatham Road North, 1A-1C Baker Street, Kowloon, Hong Kong respectively.

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

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

- Amendments to HKFRSs, Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKAS 1, *Presentation of Items of Other Comprehensive Income*
- Amendments to HKFRS 7, *Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, *Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance*
- HKFRS 10, *Consolidated Financial Statements*
- HKFRS 11, *Joint Arrangements*
- HKFRS 12, *Disclosure of Interests in Other Entities*
- HKFRS 13, *Fair Value Measurement*
- HKAS 19 (as revised in 2011), *Employee Benefits*
- HKAS 27 (as revised in 2011), *Separate Financial Statements*

- HKAS 28 (as revised in 2011), *Investments in Associates and Joint Ventures*

- HK(IFRIC) – Int 20, *Stripping costs in the Production Phase of a Surface Mine*

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

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

**Annual improvements to HKFRSs 2009-2011 Cycle**

This cycle of annual improvements contains amendments to five standards with consequential amendments to other HKFRS. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

**Amendments to HKAS 1, Presentation of Items of Other Comprehensive Income**

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these 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 these financial statements 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 during the periods presented.

**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.

**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.

**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. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

**HKAS 19 (as revised in 2011), Employee benefits**

HKAS 19 (as revised in 2011) 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.

## 3. TURNOVER AND SEGMENT INFORMATION

### (a) Turnover

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

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Funeral services provided in funeral parlours and funeral service centres under the Group's management | **42,491** | 42,721 |
| Cremation services | **12,093** | 11,332 |
| Funeral arrangement services | **4,904** | 5,220 |
| Cemetery services | **3,618** | 2,483 |
| Trading of raw marble | **–** | 11 |
| | **63,106** | 61,767 |

### (b) Segment information

The Group manages its business by divisions, which are organised by a mixture of 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"), the chief operating decision maker, for the purposes of resources allocation and performance assessment, the Group has presented the following five 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 in Taiwan.

***(ii) Funeral services – Hong Kong***

Provision of funeral arrangement services to both funeral services deed holders and non-funeral services deed holders in Hong Kong.

***(iii) Funeral services – the PRC***

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

***(iv) Funeral services – Vietnam***

Sale of graves and provision of cemetery maintenance services in Vietnam.

***(v) Trading of raw marble***

Trading of raw marble in Taiwan and the PRC.

Reporting of operating segment units have been revised to conform to the latest business model of the Group which newly includes the Funeral services – Vietnam segment for the year ended 31 December 2013. This classification is reported on the same basis as is used by management to analyse its business performance.

The comparative information of the above has been restated to conform to the current year's presentation.

***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, receipts in advance and current tax liabilities 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 (loss)/gain, central administration costs, finance costs and income tax. This is the measure reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

In addition to receiving segment information concerning segment results, the Executive Directors are provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation, loss on disposal of property, plant and equipment, impairment losses, reversal of impairment loss, gain on disposal of subsidiaries, income tax expenses, loss on derecognition of assets and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Executive Directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below:

| | Year ended 31 December 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Funeral services | | | | Trading of raw marble | Total |
| | Taiwan | Hong Kong | PRC | Vietnam | | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Reportable segment revenue – Revenue from external customers | **3,391** | **1,513** | **58,202** | **–** | **–** | **63,106** |
| Reportable segment loss | **(2,947)** | **(1,068)** | **(897)** | **(1,358)** | **(2)** | **(6,272)** |
| Interest income | **4** | **–** | **161** | **4** | **–** | **169** |
| Interest expenses | **234** | **–** | **–** | **–** | **–** | **234** |
| Depreciation and amortisation for the year | **220** | **316** | **4,437** | **58** | **–** | **5,031** |
| Loss on disposal of property, plant and equipment | **1,338** | **–** | **4,088** | **–** | **–** | **5,426** |
| Impairment loss on other receivables | **–** | **–** | **486** | **–** | **–** | **486** |
| Reversal of impairment loss on other receivables | **–** | **–** | **407** | **–** | **–** | **407** |
| Gain on disposal of subsidiaries | **–** | **–** | **604** | **–** | **–** | **604** |
| Income tax expenses | **–** | **–** | **848** | **–** | **–** | **848** |
| Reportable segment assets | **176,355** | **954** | **53,991** | **31,965** | **3,714** | **266,979** |
| Additions to non-current segment assets during the year | **20** | **–** | **8,827** | **5,933** | **–** | **14,780** |
| Reportable segment liabilities | **103,633** | **681** | **6,798** | **1,478** | **–** | **112,590** |

| | Year ended 31 December 2012 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Trading of | |
| | Funeral services | | | | raw marble | Total |
| | Taiwan | Hong Kong | PRC | Vietnam | | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Reportable segment revenue – Revenue from external customers | 3,451 | 1,769 | 56,536 | – | 11 | 61,767 |
| Reportable segment loss | (2,518) | (1,843) | (11,827) | (680) | (682) | (17,550) |
| Interest income | 3 | – | 108 | 2 | – | 113 |
| Interest expenses | 226 | 1 | – | – | – | 227 |
| Depreciation and amortisation for the year | 215 | 342 | 3,429 | – | 35 | 4,021 |
| Loss on disposal of property, plant and equipment | – | – | 31 | – | – | 31 |
| Impairment loss on other receivables | – | – | 760 | – | – | 760 |
| Gain on disposal of subsidiaries | – | – | – | – | 734 | 734 |
| Income tax expenses | – | – | 1,224 | – | – | 1,224 |
| Loss on derecognition of assets | – | – | 11,275 | – | – | 11,275 |
| Reportable segment assets | 202,406 | 1,289 | 46,919 | 8,130 | 4,398 | 263,142 |
| Additions to non-current segment assets during the year | 769 | 29 | 5,658 | – | 28 | 6,484 |
| Reportable segment liabilities | 115,356 | 484 | 7,649 | 81 | 116 | 123,686 |

There are no inter-segment sales during the year (2012: Nil).

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

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Total reportable segment revenue and consolidated turnover | **63,106** | 61,767 |
| **Profit or loss** | | |
| Total reportable segment loss derived from Group's external customers | **(6,272)** | (17,550) |
| Other revenue | **1,628** | 1,540 |
| Other net (loss)/gain | **(1,856)** | 5,502 |
| Finance costs | **(346)** | (237) |
| Unallocated head office and corporate expenses | | |
| – Depreciation and amortisation | **(988)** | (418) |
| – Auditors' remuneration | **(1,094)** | (1,120) |
| – Legal and professional fee | **(1,018)** | (2,080) |
| – Staff cost (including directors' remuneration) | **(4,476)** | (8,587) |
| – Operating lease charges: minimum lease payments | **(377)** | (436) |
| – Equity-settled share-based payment expenses | **(287)** | (761) |
| – Others | **(880)** | (4,418) |
| Consolidated loss before taxation | **(15,966)** | (28,565) |
| **Assets** | | |
| Total reportable segment assets | **266,979** | 263,142 |
| Unallocated head office and corporate assets | | |
| – Pledged bank deposits | **–** | 17,869 |
| – Cash and cash equivalents | **30,836** | 55,838 |
| – Prepayments | **731** | 783 |
| – Property, plant and equipment | **3,355** | 7,645 |
| – Others | **487** | 718 |
| Consolidated total assets | **302,388** | 345,995 |
| **Liabilities** | | |
| Total reportable segment liabilities | **112,590** | 123,686 |
| Unallocated head office and corporate liabilities | | |
| – Bank borrowings | **–** | 10,073 |
| – Others | **3,178** | 1,942 |
| Consolidated total liabilities | **115,768** | 135,701 |

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

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other items** | | |
| Interest income | | |
| Reportable segment total | **169** | 113 |
| Unallocated head office and corporate total | **1,236** | 506 |
| Consolidated total | **1,405** | 619 |
| Interest expenses | | |
| Reportable segment total | **234** | 227 |
| Unallocated head office and corporate total | **112** | 10 |
| Consolidated total | **346** | 237 |
| Depreciation and amortisation | | |
| Reportable segment total | **5,031** | 4,021 |
| Unallocated head office and corporate total | **988** | 418 |
| Consolidated total | **6,019** | 4,439 |
| Loss on disposal of property, plant and equipment | | |
| Reportable segment total | **5,426** | 31 |
| Unallocated head office and corporate total | **–** | 75 |
| Consolidated total | **5,426** | 106 |
| Additions to non-current segment assets during the year | | |
| Reportable segment total | **14,780** | 6,484 |
| Unallocated head office and corporate total | **66** | 7,669 |
| Consolidated total | **14,846** | 14,153 |

*Geographical information*

The following is an analysis of geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, prepaid lease payments, intangible assets and deposits for hire of funeral parlours and funeral services centres. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The geographical locations of property, plant and equipment, prepaid lease payments 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** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| The PRC (place of domicile) | **58,202** | 56,547 | **30,763** | 32,877 |
| Taiwan | **3,391** | 3,451 | **25,515** | 29,129 |
| Hong Kong | **1,513** | 1,769 | **563** | 1,049 |
| Vietnam | **–** | – | **8,592** | 348 |
| | **4,904** | 5,220 | **34,670** | 30,526 |
| | **63,106** | 61,767 | **65,433** | 63,403 |

*Revenue from major product and services*

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Funeral services provided in funeral parlours and funeral service centres under the Group's management | **42,491** | 42,721 |
| Cremation services | **12,093** | 11,332 |
| Funeral arrangement services | **4,904** | 5,220 |
| Cemetery services | **3,618** | 2,483 |
| Trading of raw marble | **–** | 11 |
| | **63,106** | 61,767 |

*Information about major customers*

For the years ended 31 December 2013 and 2012, 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

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other revenue** | | |
| Interest income on bank deposits | **1,405** | 609 |
| Interest income on coupon bonds | **–** | 10 |
| Total interest income on financial assets not at fair value through profit or loss | **1,405** | 619 |
| Sundry income | **212** | 909 |
| Rental income | **11** | 12 |
| | **1,628** | 1,540 |
| **Other net (loss)/gain** | | |
| Gain on disposal of subsidiaries | **604** | 734 |
| Loss on disposal of property, plant and equipment | **(5,426)** | (106) |
| Surplus on revaluation of land and buildings held for own use | **476** | 117 |
| Net exchange (loss)/gain | **(1,460)** | 2,657 |
| Net gain/(loss) on foreign exchange forward contracts | **1,002** | (87) |
| Net gain on terminated and lapsed funeral services deeds | **155** | 558 |
| Net realised and unrealised gain on financial assets designated as at fair value through profit or loss | **2,386** | 1,629 |
| Reversal of impairment loss on other receivables | **407** | – |
| | **(1,856)** | 5,502 |
| | **(228)** | 7,042 |

## 5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the followings:

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **(a) Finance costs** | | |
| Interests on bank borrowings and other loan | | |
| – wholly repayable within 5 years | **167** | 40 |
| – not wholly repayable within 5 years | **179** | 196 |
| Finance charges on obligation under finance lease | **–** | 1 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | **346** | 237 |

The analysis shows the finance costs of bank borrowings, including bank loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2013 and 2012, the interest on bank borrowings which contain a repayment on demand clause amounted to RMB25,000 and RMB10,000 respectively.

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **(b) Staff costs (including directors' remuneration)** | | |
| Salaries, wages and other benefits | **17,899** | 20,276 |
| Equity-settled share-based payment expenses | **115** | 705 |
| Contributions to defined contribution retirement plans | **1,894** | 1,856 |
| | **19,908** | 22,837 |

| | 2013 | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(c) Other items** | | |
| Amortisation of prepaid lease payments | **82** | 14 |
| Auditors' remuneration | **1,094** | 1,120 |
| Cost of inventories | **9,572** | 8,692 |
| Depreciation | | |
| – assets held for own use under finance leases | **–** | 4 |
| – other assets | **5,937** | 4,421 |
| | **5,937** | 4,425 |
| Operating lease charges: minimum lease payments | | |
| – rented premises | **902** | 1,294 |
| *Less:* sub-leasing rental income | **(11)** | (12) |
| | **891** | 1,282 |
| – hire of plant and equipment | **180** | 336 |
| – hire of funeral parlours and funeral service centres | **6,700** | 6,125 |
| Operating lease charges: contingent rents | | |
| – hire of funeral parlours and funeral service centres | **7,734** | 7,500 |
| Impairment loss on other receivables | **486** | 760 |
| Loss on derecognition of assets | **–** | 11,275 |
| Equity-settled share-based payment expenses | **287** | 761 |

## 6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | 2013 | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Provision of current tax for the year | | |
| – PRC Enterprise Income Tax *(note (c))* | **848** | 1,087 |
| | **848** | 1,087 |
| Under-provision of current tax in prior years | | |
| – PRC Enterprise Income Tax | **–** | 137 |
| | **–** | 137 |
| | **848** | 1,224 |

*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 2013 (2012: RMBNil).

(b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands, Samoa and the British Virgin Islands ("BVI") for the year ended 31 December 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 ("Chongqing 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 Chongqing Xizhou in each of subsequent years, the preferential tax rate can be applied to Chongqing Xizhou up to December 2020. For the year ended 31 December 2013, Chongqing Xizhou is subject to enterprise income tax rate at 15% (2012: 15%).

(d) 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, are subject to Taiwan Enterprise Income Tax at 17% on taxable profits determined in accordance with the Income Tax Act and other relevant laws in Taiwan. No provision for Taiwan Enterprise Income Tax has been made as Bau Shan and Bau De sustained losses for the year ended 31 December 2013 (2012: RMBNil).

(e) Bao Son Life Company Limited ("Bao Son Life") and Hoan Loc Viet Duc Hoa Corporation ("HLV Duc Hoa"), indirect non-wholly-owned subsidiaries of the Company, are subject to Vietnam Corporate Income Tax at 25% and 20% respectively, on taxable profits determined in accordance with the relevant laws and regulations in Vietnam. No provision for Vietnam Corporate Income Tax has been made as Bao Son Life and HLV Duc Hoa have no assessable profits for the year ended 31 December 2013 (2012: RMBNil).

## 7. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB16,175,000 (2012: RMB29,487,000) and the weighted average of 742,500,000 ordinary shares (2012: 742,500,000 ordinary shares) in issue during the year.

### (b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of the share options had anti-dilutive effect on the basic loss per share amounts presented. Therefore, the calculation of the diluted loss per share is based on the loss attributable to owners of the Company of RMB16,175,000 (2012: RMB29,487,000) and the weighted average of 742,500,000 ordinary shares (2012: 742,500,000 ordinary shares) in issue during the year.

## 8. DIVIDENDS

The directors do not recommend payment of any dividend for the year ended 31 December 2013 (2012: RMBNil).

## 9. TRADE AND OTHER RECEIVABLES

| | 2013 | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables *(note (a))* | **20** | 70 |
| Other receivables | **6,552** | 3,337 |
| *Less:* allowance for impairment loss | **(1,009)** | (930) |
| | **5,543** | 2,407 |
| Loans and receivables | **5,563** | 2,477 |
| Deposits and prepayments | **64,430** | 56,932 |
| | **69,993** | 59,409 |
| Representing: | | |
| Current | **66,293** | 55,709 |
| Non-current | **3,700** | 3,700 |
| | **69,993** | 59,409 |

*Note:*

(a) Trade receivables are net of allowance for doubtful debts 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:

| | 2013 | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 180 days | 20 | 70 |

## 10. TRADE AND OTHER PAYABLES

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables *(note (a))* | **1,717** | 1,660 |
| Accruals and other payables | **7,426** | 7,850 |
| Financial liabilities measured at amortised cost | **9,143** | 9,510 |
| Derivative financial liabilities | **–** | 87 |
| | **9,143** | 9,597 |

*Note:*

(a) 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:

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 30 days | **679** | 998 |
| 31 days to 90 days | **375** | 203 |
| Over 90 days | **663** | 459 |
| | **1,717** | 1,660 |

## 11. RECEIPTS IN ADVANCE

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Advance payments from customers for: | | |
| – funeral service deeds *(note)* | **94,480** | 104,686 |
| – graves under development | **1,340** | – |
| | **95,820** | 104,686 |

*Note:*

Bau Shan and Sino-Life (Hong Kong) Limited ("Sino-Life (HK)"), subsidiaries of the Company, sold funeral services deeds to customers ("Deed Holders"). The funeral services deeds are prepaid funeral services packages which mainly comprise particular types of funeral services to be arranged. The Deed Holders can elect to make payment on a lump sum basis or settle the outstanding amount of the funeral services deeds by up to a maximum of 120 monthly instalments. The Group determines the pricing of the funeral services deeds by adding a margin to the estimated cost of delivering funerals, after having taken into account of major factors including instruction of the Deed Holders. Amounts received from funeral services deeds sold are recorded as receipts in advance. When the Deed Holders have defaulted payment for two months and do not pay back the defaulted amounts after the Group's not less than 30-day's demand notice, the funeral services deeds would be regarded as lapsed and a minimum of 20% of the total sum of the funeral services deeds or the instalments paid, whichever is lower, will be forfeited as income. The Deed Holders can request for funeral services or terminate the funeral services deeds at any time after the funeral services 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 2013, the Group has deposited RMB37,760,000 (2012: RMB41,466,000) in 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 RMB155,000 (2012: RMB558,000) in "other net (loss)/gain" in the consolidated statement of profit or loss and other comprehensive income for the year.

# 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 funeral business in the PRC market for the year ended 31 December 2013 was approximately RMB58.2 million, representing an slightly increase of about 3.0% to the corresponding period last year and accounted for about 92.2% of the Group's turnover.

### *Hong Kong*

The Group's funeral business in the Hong Kong market generated an approximate turnover of RMB1.5 million for the year ended 31 December 2013 representing a decrease of about 16.7% to the corresponding period last year and accounted for approximately 2.4% of the Group's turnover.

### *Taiwan*

The Group's turnover derived from funeral business in the Taiwan market for the year ended 31 December 2013 was approximately RMB3.4 million, representing a slightly decrease of approximately 2.9% to the corresponding period last year and accounted for approximately 5.4% of the Group's turnover. In light of this decreasing scope of business in Taiwan, the Group will consider directing resources to other markets with higher revenue growth potentials.

## Prospects

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. The total number for saleable graves and columbarium of the cemetery is expected over 4,000 and 1,000 respectively.

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

## Financial review

### *Turnover*

The turnover arising from principal activities for the year ended 31 December 2013 was approximately RMB63.1 million (2012: approximately RMB61.8 million), representing a increase of approximately 2.1% as compared to 2012. Regarding to the funeral services business provided in the PRC during the year, the turnover was approximately RMB58.2 million (2012: approximately RMB56.5 million), representing an increase of approximately 3.0% which accounted for 92.2% of the Group's turnover (2012: 91.4%). The turnover generated by the funeral services business provided in Taiwan was approximately RMB3.4 million (2012: approximately RMB3.5 million), or 5.4% of the Group's turnover, representing a decrease of approximately 2.9% due to strengthened competition in Taiwan. The turnover generated by the funeral services business provided in Hong Kong was approximately RMB1.5 million (2012: approximately RMB1.8 million), or 2.4% of the Group's turnover, representing an decrease of approximately 16.7%.

The turnover from the funeral service provided in funeral parlour and funeral service centres under the Group's management slightly decreased by 0.5%, amounting to approximately RMB42.5 million (2012: approximately RMB42.7 million). The drop was mainly due to the decrease in the number of funeral services provided to 2,324 for 2013 which resulted from cessation of management of the operation of Au Fu Tang in May 2012. However, the average spending per service provided increase to approximately RMB18,284 for 2013.

The turnover from the cremation services increased by 7.1%, amounting to approximately RMB12.1 million (2012: approximately RMB11.3 million). The increase was due to the increase in the number of cremation services provided to 9,313 for 2013. The average spending per service provided was approximately RMB1,299 for 2013. Under the funeral parlour management agreement and funeral service centre management agreements, the Group is entitled to all income and responsible for all liabilities and all expenses incurred in the funeral parlour and funeral service centres under the Group's management.

The revenue generated from funeral arrangement services provided in Taiwan and Hong Kong was approximately RMB3.4 million and RMB1.5 million respectively (2012: approximately RMB3.5 million and RMB1.8 million), representing a decline of 2.9% and 16.7% respectively over last year. The decline in Taiwan business was due to the intense competition in the Taiwan funeral service industry and the Directors believe that the market in Taiwan is saturated and room for growth is limited. Thus, the number of cases for the funeral arrangement services provided in Taiwan dropped in 2013 and resulted in the decrease in the total turnover here.

### *Gross Profit and Gross Profit Margin*

Gross profit slightly increase by 1.7% to approximately RMB47.1 million (2012: approximately RMB46.3 million), and gross profit margin maintained on same level of approximately 74.6% (2012: approximately 74.9%). The gross profit margin of funeral services provided in funeral parlour and funeral service centres under the Group's management maintained the same level of approximately 77.6% (2012: approximately 77.6%) which was mainly due to the net effect of the increase in the average spending per funeral service provided and increase in the cost for providing the services. The gross profit margin of cremation services increased to approximately 85.4% (2012: approximately 83.4%) which was mainly due to the increase in the number of cremation services provided which reduces the cost sharing of each cremation service and that of funeral arrangement services decreased to approximately 13.5% (2012: approximately 33.8%) due to the increase in cost for providing the services.

The Group's cost of sales primarily consists of costs directly attributable to the provision of its services, which mainly include (i) direct labour for the funeral services provided by individuals during the funeral ceremony held in a funeral parlour or a funeral service centre managed by the Group; (ii) subcontracting charges for services provided by the subcontractors in Taiwan; (iii) commission expenses from the recognition of commission paid to sales agents for funeral services deeds at the point when the services of the funeral services deeds are provided; and (iv) materials used for funeral ceremonies and cremation services such as fresh flowers, fuel for the cremation furnace and cost of the goods sold in the funeral parlour and funeral service centres under the Group's management in the PRC.

### *Selling and Administrative Expenses*

Selling expenses decreased by approximately 2.8% to approximately RMB24.4 million (2012: approximately RMB25.1 million). The decrease was mainly attributable to net effect of the Group's decreased rental and management costs due to the cessation of the management of the operation of An Fu Tang. The proportion of selling expenses to turnover was approximately 38.7% (2012: approximately 40.6%). Administrative expenses drop by approximately 15.9% to approximately RMB37.1 million (2012: approximately RMB44.1 million) as a result of enhancing the efforts in cost control of staff cost, entertainment expenses and rental expenses. The proportion of administrative expenses to turnover was approximately 58.9% (2012: approximately 71.4%). Finance costs remained nearly the same of approximately RMB0.3 million (2012: approximately RMB0.2 million) because of raising short-term loan during 2013. Income tax expense decreased by approximately 33.3% to approximately RMB0.8 million (2012: approximately RMB1.2 million).

***Loss for the Year***

In 2013, loss attributable to owners of the Company for the year was approximately RMB16.8 million (2012: approximately RMB29.5 million). The decrease in loss for the year ended 31 December 2012 was mainly due to the net effect of (i) increase in the gross profit; (ii) decrease in other revenue and other net gain as there was an increase in loss on disposal of property, plant and equipment (iii) decrease in other operating expenses.

**Liquidity, Financial Resources and Capital Structure**

The Group maintains a stable financial position. As at 31 December 2013, the Group had bank balances and cash of approximately RMB122.8 million (2012: approximately RMB177.6 million) and bank and other loans of approximately RMB9.0 million (2012: approximately RMB20.5 million). All bank and other loans were denominated in New Taiwan Dollars, at prevailing market interest. During the year, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowing to the total assets of the Group was 3.0% as at 31 December 2013 (2012: 5.9%).

**Exposure to Fluctuation in Exchange Rates**

During the year, the Group's major operations were geographically based in the PRC, Taiwan, Hong Kong and Vietnam. The revenue derived from Taiwan, Hong Kong and Vietnam accounted for approximately 7.8% (2012: approximately 8.5%) of the total revenue. Its financial statements are presented in Renminbi, while a significant portion of the revenue and expenses are denominated in the United States Dollar, New Taiwan Dollar, Hong Kong Dollar and Vietnamese dong. It is possible that the value of Renminbi may fluctuate in value against that of the United States Dollar, New Taiwan Dollar, Hong Kong Dollar and Vietnamese dong. The Group's operating results and financial condition may be affected by changes in the exchange rates of Renminbi against the United States Dollar, New Taiwan Dollar, Hong Kong Dollar and Vietnamese dong, in which the Group's revenue and expenses are denominated. As at 31 December 2013, the Group did not have any bank liabilities, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

**Significant Acquisitions and Disposal of Investments**

For the year ended 31 December 2013, the Group did not have any significant acquisition or disposal of investment.

### The Number and Remuneration of Employees

As at 31 December 2013, the Group employed approximately 328 employees (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.

### Charge on Group Assets

The carrying amounts of property, plant and equipment and bank deposits pledged as security for the Group's bank borrowings and other loans were approximately RMB20.5 million and RMBNil million respectively (2012: RMB21.3 million and RMB17.9 million respectively).

### Contingent Liabilities

As at 31 December 2013, the Group did not have any contingent liabilities (2012: Nil).

### Capital Expenditure

For the year ended 31 December 2013, capital expenditure of the Group for property, plant and equipment amounted to approximately RMB14.8 million (2012: approximately RMB14.2 million).

### Capital Commitments

As at 31 December 2013, the Group had capital expenditure contracted for but not provided for in the financial statements amounting to approximately RMB8.2 million (2012: approximately RMB15.1 million).

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 31 December 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) ("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 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 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 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 eligible participants who have contributed or may contribute to the Group as incentive or rewards for their contributions to the Group.

(b) The participants include (i) any employee or proposed employee of the Company and/or any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive directors and any non-executive directors (including independent non-executive directors) of the Company, any of such subsidiaries or any Invested Entity; and (ii) any consultants, advisers, agents, partners or joint-venture partners of the Company and/or any of its subsidiaries.

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

(d) The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the shares in issue on the day on which trading of the Company's shares commenced on the GEM Board ("General Scheme Limit").

    The total number of shares available for issue under the Share Option Scheme is 74,250,000 representing 10% of the issued shares of the Company as at the year end date.

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

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

(g) For the options granted in 2010, they are exercisable starting half year from the grant date. The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 10 years from the date of grant of the share option.

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

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

Details of the share options granted and remaining outstanding as at 31 December 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 31 December 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 | (1,480,000) | 6,480,000 |
| **Consultants** | 11 February 2010 | HK$1.18 | 11 August 2010 to 11 February 2020 | 41,900,000 | – | 41,900,000 |
| | | | | 66,032,000 | (3,480,000) | 62,552,000 |

The options granted on 11 February 2010 expire ten years from the date of grant. As at 31 December 2013, 2,572,000 of 52,072,000 options (2012: 2,572,000 of 52,072,000 options) were exercisable in the same year of the date of grant with 50% each of the options granted exercisable at six months and at the end of the year from the date of grant and 49,500,000 of 52,072,000 options (2012: 49,500,000 of 52,072,000 options) are exercisable over five years from the date of grant, with 20% each of the options granted exercisable at six months and first calendar date of following four years from the date of grant.

The options granted on 16 January 2012 expire five years from the date of grant and will be exercisable after one year from the date of grant. Save as disclosed above, as at 31 December 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

For the year ended 31 December 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

The Company had complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 to the GEM Listing Rules, except for Code Provision A.2.1.

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in August 2009 which consists of three independent non-executive Directors, namely Mr. Ching Clement Yat-biu (Chairman), Mr. Chai Chung Wai and Mr. Lee Koon Hung. During the year, the Audit Committee has reviewed the quarterly, half-yearly and annual reports before submission to the Board. The Audit Committee focused not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, half-yearly and annual reports. The major responsibilities of the Audit Committee include (i) making recommendation to the Board on the appointment, reappointment and removal of external auditor; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; (iii) monitoring the integrity of the Company's financial statements, annual report and accounts, half-yearly report and, quarterly reports; (iv) liaising with the Board and the senior management and to meet with the auditors; (v) reviewing the Company's financial controls, internal control and risk management systems; and (vi) reviewing the financial and accounting policies and practices of the Group.

The Group's audited consolidated results for the year ended 31 December 2013 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 2014 Annual General Meeting of the Company will be held on 21 May 2014, 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 15 May 2014, Thursday to 21 May 2014, 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 21 May 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 14 May 2014, Wednesday.

## CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct from the date of listing of the Company's Shares on the Stock Exchange up to 31 December 2013.

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

Hong Kong, 21 March 2014

*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.*