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)**

# HALF YEARLY RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 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: (i) the information contained in this announcement and report 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 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 2017 together with the comparative unaudited consolidated figures for the corresponding period in 2016. The interim financial statements have not been audited, but have been reviewed and agreed by the audit committee of the Company.

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

| | | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2017** | 2016 (Restated) | **2017** | 2016 (Restated) |
| | *Note* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Revenue** | *4(a)* | **14,281** | 12,286 | **29,088** | 27,694 |
| Cost of sales | | **(7,096)** | (4,822) | **(12,807)** | (10,594) |
| **Gross profit** | | **7,185** | 7,464 | **16,281** | 17,100 |
| Other revenue | *5* | **337** | 182 | **936** | 289 |
| Other net gain | *5* | **487** | 734 | **345** | 1,338 |
| Selling expenses | | **(1,337)** | (1,154) | **(2,726)** | (2,493) |
| Administrative expenses | | **(7,648)** | (8,694) | **(15,755)** | (16,019) |
| Other operating expenses | | **(106)** | – | **(111)** | – |
| **Profit/(loss) from operations** | | **(1,082)** | (1,468) | **(1,030)** | 215 |
| Finance costs | *6(a)* | **(48)** | (88) | **(101)** | (122) |
| **Profit/(loss) before taxation** | *6* | **(1,130)** | (1,556) | **(1,131)** | 93 |
| Income tax | *7* | **(181)** | 125 | **(440)** | (368) |
| **Loss for the period** | | **(1,311)** | (1,431) | **(1,571)** | (275) |
| **Other comprehensive income for the period** | | | | | |
| **Item that will not be reclassified to profit or loss:** | | | | | |
| Surplus on revaluation of land and buildings held for own use | | **79** | 122 | **79** | 122 |
| **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") | | **(10,301)** | 286 | **(885)** | 3,425 |
| **Other comprehensive income/(loss) for the period, net of income tax** | | **(10,222)** | 408 | **(806)** | 3,547 |
| **Total comprehensive income/(loss) for the period, net of income tax** | | **(11,533)** | (1,023) | **(2,377)** | 3,272 |

| | Note | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| | | | (Restated) | | (Restated) |
| | *Note* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Loss attributable to:** | | | | | |
| Owners of the Company | | **(1,203)** | (1,306) | **(1,332)** | (18) |
| Non-controlling interests | | **(108)** | (125) | **(239)** | (257) |
| | | **(1,311)** | (1,431) | **(1,571)** | (275) |
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Owners of the Company | | **(11,402)** | (988) | **(2,086)** | 3.493 |
| Non-controlling interests | | **(131)** | (35) | **(291)** | (221) |
| | | **(11,533)** | (1,023) | **(2,377)** | 3,272 |
| **Loss per share** | *8* | | | | |
| Basic and diluted | | **RMB(0.16) cent** | RMB(0.18) cent | **RMB(0.18) cent** | RMB(0.002) cent |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | At **30 June 2017** ***RMB'000*** **(Unaudited)** | At 31 December 2016 *RMB'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *10* | **37,267** | 38,592 |
| Investment property | *11* | **4,991** | 4,812 |
| Prepaid lease payments | | **3,465** | 3,507 |
| Intangible assets | | **873** | 1,237 |
| Deposits for hire of funeral parlours and funeral services centres | *13* | **1,700** | 1,700 |
| Other rental deposit | | **21** | 22 |
| Goodwill | | **2,821** | 2,821 |
| | | **51,138** | 52,691 |
| **CURRENT ASSETS** | | | |
| Financial assets designated as at fair value through profit or loss | *12* | **38,114** | 38,640 |
| Development and formation costs | | **7,244** | 7,406 |
| Inventories | | **1,770** | 1,526 |
| Tax recoverable | | **6** | 11 |
| Trade and other receivables | *13* | **51,854** | 53,664 |
| Prepaid lease payments | | **82** | 82 |
| Cash and cash equivalents | | **101,772** | 98,550 |
| | | **200,842** | 199,879 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *14* | **8,522** | 8,696 |
| Receipts in advance | | **95,854** | 93,911 |
| Current portion of bank borrowings | *15* | **1,061** | 1,023 |
| Current taxation | | **3,429** | 3,394 |
| Provisions | | **2,957** | 2,851 |
| | | **(111,823)** | (109,875) |
| **NON-CURRENT LIABILITIES** | | | |
| Receipts in advance | | **115** | 118 |
| Bank borrowings | *15* | **9,801** | 9,959 |
| | | **(9,916)** | (10,077) |
| **NET ASSETS** | | **130,241** | 132,618 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **69,218** | 69,218 |
| Reserves | | **62,566** | 64,652 |
| | | **131,784** | 133,870 |
| **Non-controlling interests** | | **(1,543)** | (1,252) |
| **TOTAL EQUITY** | | **130,241** | 132,618 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital<br>*RMB'000* | Share premium<br>*RMB'000* | Merger reserve<br>*RMB'000* | Statutory reserve<br>*RMB'000* | Statutory surplus reserve<br>*RMB'000* | Properties revaluation reserve<br>*RMB'000* | Foreign currency translation reserve<br>*RMB'000* | Share-based compensation reserve<br>*RMB'000* | Accu-mulated losses<br>*RMB'000* | Total<br>*RMB'000* | Non-controlling interests<br>*RMB'000* | Total equity<br>*RMB'000* |
| **At 1 January 2016 (audited)** | 69,218 | 220,633 | (16,261) | 786 | 1,550 | 1,954 | (20,795) | 7,753 | (102,539) | 162,299 | 1,784 | 164,083 |
| Loss for the period | – | – | – | – | – | – | – | – | (18) | (18) | (257) | (275) |
| Surplus on revaluation of land and buildings held for own use | – | – | – | – | – | 122 | – | – | – | 122 | – | 122 |
| Exchange differences on translation of financial statements of non-PRC operations | – | – | – | – | – | – | 3,389 | – | – | 3,389 | 36 | 3,425 |
| Other comprehensive income/(loss) | – | – | – | – | – | 122 | 3,389 | – | – | 3,511 | 36 | 3,547 |
| **Total comprehensive income/(loss) for the period** | – | – | – | – | – | 122 | 3,389 | – | (18) | 3,493 | (221) | 3,272 |
| **At 30 June 2016 (unaudited)** | 69,218 | 220,633 | (16,261) | 786 | 1,550 | 2,076 | (17,406) | 7,753 | (102,557) | 165,792 | 1,563 | 167,355 |
| **At 1 January 2017 (audited)** | **69,218** | **220,633** | **(16,261)** | **790** | **1,550** | **2,107** | **(17,857)** | **7,676** | **(133,986)** | **133,870** | **(1,252)** | **132,618** |
| Loss for the period | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(1,332)** | **(1,332)** | **(239)** | **(1,571)** |
| Surplus on revaluation of land and buildings held for own use | **–** | **–** | **–** | **–** | **–** | **79** | **–** | **–** | **–** | **79** | **–** | **79** |
| Exchange differences on translation of financial statements of non-PRC operations | **–** | **–** | **–** | **–** | **–** | **–** | **(833)** | **–** | **–** | **(833)** | **(52)** | **(885)** |
| Other comprehensive income/(loss) | **–** | **–** | **–** | **–** | **–** | **79** | **(833)** | **–** | **–** | **(754)** | **(52)** | **(806)** |
| **Total comprehensive income/(loss) for the period** | **–** | **–** | **–** | **–** | **–** | **79** | **(833)** | **–** | **(1,332)** | **(2,086)** | **(291)** | **(2,377)** |
| **Lapse of share option granted** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(333)** | **333** | **–** | **–** | **–** |
| **At 30 June 2017 (unaudited)** | **69,218** | **220,633** | **(16,261)** | **790** | **1,550** | **2,186** | **(18,690)** | **7,343** | **(134,985)** | **131,784** | **(1,543)** | **130,241** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **OPERATING ACTIVITIES** | | | |
| (Loss)/profit before taxation | | **(1,131)** | 93 |
| Adjustments for: | | | |
| Amortisation of prepaid lease payments | *6(c)* | **42** | 42 |
| Amortisation of intangible assets | | **399** | – |
| Finance costs | *6(a)* | **101** | 122 |
| Gain on disposal of property, plant and equipment | *5* | **(1)** | (3) |
| Depreciation | *6(c)* | **1,606** | 1,354 |
| Interest income | *5* | **(271)** | (169) |
| Net realised and unrealised gain on financial assets designated as at fair value through profit or loss | *5* | **(352)** | (1,288) |
| Net exchange (gain)/loss | *5* | **28** | (22) |
| | | **1,552** | 36 |
| | | **421** | 129 |
| **CHANGES IN WORKING CAPITAL** | | | |
| Increase in inventories | | **(262)** | (164) |
| Decrease/(increase) in trade and other receivables | | **1,809** | (7,214) |
| Decrease/(increase) in financial assets designated as at fair value through profit or loss | | **2,309** | (23,335) |
| Decrease in development and formation costs | | **31** | 3 |
| (Decrease)/increase in trade and other payables | | **(292)** | 1,187 |
| Decrease in receipts in advance | | **(1,373)** | (1,186) |
| | | **2,222** | (30,709) |
| **CASH GENERATED FROM/(USED IN) FROM OPERATIONS** | | **2,643** | (30,580) |
| Income tax paid | | | |
| – The People's Republic of China ("PRC") | | **(405)** | (905) |
| **NET CASH GENERATED FROM/(USED IN) FROM OPERATING ACTIVITIES** | | **2,238** | (31,485) |

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **INVESTING ACTIVITIES** | | | |
| Payment for the purchase of property, plant and equipment | *10(a)* | **(1,377)** | (491) |
| Proceeds from disposal of property, plant and equipment | | **4** | 4 |
| Decrease in available-for-sale investment | | **–** | 1,500 |
| Interest received | | **271** | 169 |
| **NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES** | | **(1,102)** | 1,182 |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from new bank borrowings | *15* | **–** | 3,405 |
| Repayment of bank borrowings | *15* | **(527)** | (360) |
| Interest on bank borrowings | | **(101)** | (122) |
| **NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES** | | **(628)** | 2,923 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **508** | (27,380) |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | | **98,550** | 98,712 |
| **EFFECT OF FOREIGN EXCHANGE RATES CHANGES** | | **2,714** | 1,289 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | | **101,772** | 72,621 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash at bank and on hand | | **101,772** | 72,621 |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*For the six months ended 30 June 2017*

## 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 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is mainly engaged in the provision of funeral and related services, sale of burial plots and provision of cemetery maintenance services in Taiwan, Hong Kong, the People's Republic of China (the "PRC") and Vietnam and provision of elderly care services in Taiwan.

## 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 1 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The unaudited condensed consolidated interim financial report has been prepared under the historical cost convention, as modified by the revaluation of investment property, freehold land and buildings and financial assets designated as at fair value through profit or loss.

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 2016 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 ("HKFRSs").

The unaudited condensed consolidated interim financial report is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000), unless otherwise stated.

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current period's presentation.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2017.

The condensed consolidated accounts have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

## 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014-2016 cycle |

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented, The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

Revenue represents the fair value of consideration received and receivable for the services rendered to customers and goods sold to customers . The amount of each significant category of revenue recognised during the period is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Funeral services provided in funeral parlours and funeral service centres under the Group's management | **21,231** | 20,090 |
| Cremation services | **6,022** | 6,077 |
| Funeral arrangement services | **1,469** | 1,331 |
| Sale of burial plots | **366** | 196 |
| | **29,088** | 27,694 |

### (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"), the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented five 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 2017 and 2016 is set out below:

| | **Six months ended 30 June 2017 (Unaudited)** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Funeral services** | | | | | **Elderly care services** | **Total** |
| | **Taiwan** | **Hong Kong** | **PRC** | **Vietnam** | **Subtotal** | **Taiwan** | |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Reportable segment revenue | | | | | | | |
| – Revenue from external customers | **966** | **503** | **27,253** | **366** | **29,088** | **–** | **29,088** |
| Reportable segment profit/(loss) | **(1,315)** | **(91)** | **3,076** | **(908)** | **762** | **(1,065)** | **(303)** |

| | Six months ended 30 June 2016 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Funeral services | | | | | Elderly care services | Total |
| | Taiwan | Hong Kong | PRC | Vietnam | Subtotal | Taiwan | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Reportable segment revenue | | | | | | | |
| – Revenue from external customers | 875 | 456 | 26,167 | 196 | 27,694 | – | 27,694 |
| Reportable segment profit/(loss) | (857) | (114) | 2,936 | (1,026) | 939 | (448) | 491 |

There are no inter-segment sales for the six months ended 30 June 2017 and 2016.

Segment results represent the profit earned/(loss suffered) by each segment without allocation of valuation gain on investment property, 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 resources allocation and assessment of segment performance.

The following table presents segment assets and segment liabilities of the Group's reportable segments as at 30 June 2017 and 31 December 2016:

| | At 30 June 2017 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Funeral services | | | | Subtotal | Elderly care services | Total |
| | Taiwan | Hong Kong | PRC | Vietnam | | Taiwan | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Reportable segment assets | **169,927** | **656** | **45,439** | **25,228** | **241,250** | **6,260** | **247,510** |
| Reportable segment liabilities | **107,899** | **761** | **7,827** | **2,650** | **119,137** | **615** | **119,752** |

| | At 31 December 2016 (Audited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Funeral services | | | | Total | Elderly care services | Total |
| | Taiwan | Hong Kong | PRC | Vietnam | | Taiwan | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Reportable segment assets | 162,371 | 757 | 53,432 | 35,372 | 251,932 | 4,037 | 255,969 |
| Reportable segment liabilities | 192,478 | 773 | 6,269 | 2,346 | 201,866 | 322 | 202,188 |

**Reconciliation of reportable segment profit**

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Total reportable segment (loss)/profit derived from Group's external customers | **(303)** | 491 |
| Other revenue | **936** | 289 |
| Other net gain | **345** | 1,338 |
| Finance costs | **(101)** | (122) |
| Unallocated head office and corporate expenses | | |
| – Depreciation and amortisation | **(52)** | (464) |
| – Staff costs (including directors' emoluments) | **(1,204)** | (1,017) |
| – Operating lease charges: minimum lease payments | **(21)** | (172) |
| – Others | **(731)** | (250) |
| Consolidated (loss)/profit before taxation | **(1,131)** | 93 |

## 5. OTHER REVENUE AND OTHER NET GAIN

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Other revenue** | | |
| Interest income on bank deposits | **271** | 169 |
| Total interest income on financial assets not at fair value through profit or loss | **271** | 169 |
| Sundry income | **549** | 17 |
| Rental income from investment property | **116** | 103 |
| | **936** | 289 |
| **Other net gain** | | |
| Gain on disposal of property, plant and equipment | **1** | 3 |
| Net exchange (loss)/gain | **(28)** | 22 |
| Net gain on terminated and lapsed funeral services deeds | **20** | 20 |
| Net realised and unrealised gain on financial assets designated as at fair value through profit or loss | **352** | 1,293 |
| | **345** | 1,338 |
| | **1,281** | 1,627 |

## 6. PROFIT/(LOSS) BEFORE TAXATION

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

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | | (Restated) |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| (a) | **Finance costs** | | |
| | Interests on bank borrowings and other loan | **101** | 122 |
| | Total interest expenses on financial liabilities not at fair value through profit or loss | **101** | 122 |
| (b) | **Staff costs (including directors' emoluments)** | | |
| | Salaries, wages and other benefits | **8,021** | 7,299 |
| | Contributions to defined contribution retirement plans | **1,048** | 1,161 |
| | | **9,069** | 8,460 |
| (c) | **Other items** | | |
| | Amortisation of prepaid lease payments | **42** | 42 |
| | Amortisation of intangible assets | **399** | – |
| | Cost of inventories | **4,051** | 3,380 |
| | Gross rental income from investment property | **(116)** | (103) |
| | Depreciation | **1,606** | 1,354 |
| | Operating lease charges: minimum lease payments | | |
| | – rented premises | **186** | 154 |
| | – hire of plant and equipment | **4** | 18 |
| | – hire of funeral parlours and funeral service centres | **5,049** | 4,891 |
| | Operating lease charges: contingent rents | | |
| | – hire of funeral parlours and funeral service centres | **234** | 216 |

## 7. INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax | | |
| – PRC Enterprise Income Tax *(note (c))* | **423** | 368 |
| (Over)/under-provision of current tax in prior years | | |
| – PRC Enterprise Income Tax *(note (c))* | **17** | – |
| | **440** | 368 |

*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 2017 (2016: RMBNil).

(b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands, Samoa and the British Virgin Islands for the six months ended 30 June 2017 (2016: RMBNil).

(c) The subsidiaries operating in the PRC are subject to Enterprise Income Tax at 25% (2016: 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% (2016: 15%) in accordance with 西部大開發企業所得稅優惠, which is retrospectively applied to Chongqing 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 six months ended 30 June 2017, Chongqing Xizhou is subject to enterprise income tax rate at 15% (2016: 15%).

(d) Bau Shan Life Science Technology Co., Ltd. ("Bau Shan"), a direct subsidiary of the Company, and Bao De Life Enterprise Co., Ltd. ("Bao De") and Bu Lao Lin Limited ("BLL"), the indirect subsidiaries of the Company, are subject to Taiwan Enterprise Income Tax at 17% (2016: 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 Bao De has no assessable profits for the six months ended 30 June 2017 (2016: 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 20% (2016: 20%), 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 2017 (2016: RMBNil).

## 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 2017 are based on the unaudited loss attributable to owners of the Company of RMB1,203,000 (2016: RMB1,306,000) and RMB1,332,000 (2016: RMB18,000) respectively and the weighted average number of 742,500,000 ordinary shares (2016: 742,500,000 ordinary shares) and 742,500,000 ordinary shares (2016: 742,500,000 ordinary shares) in issue during the periods.

### (b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the three months and six months ended 30 June 2017 and 2016 as the impact of the share options had anti-dilutive effect on the basic (loss)/earnings per share amounts presented. Therefore, the calculation of the diluted (loss)/earnings per share is based on the unaudited loss attributable to owners of the Company of RMB1,203,000 (2016: RMB1,306,000) and RMB1,332,000 (2016: RMB18,000) respectively and the weighted average number of 742,500,000 ordinary shares (2016: 742,500,000 ordinary shares) and 742,500,000 ordinary shares (2016: 742,500,000 ordinary shares) in issue during the periods.

## 9. DIVIDENDS

The directors do not recommend payment of interim dividend for the six months ended 30 June 2017 (2016: RMBNil).

## 10. PROPERTY, PLANT AND EQUIPMENT

### (a) Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RMB1,377,000 (six months ended 30 June 2016: RMB491,000). Items of property, plant and equipment with carrying amounts of RMB4,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB1,000), resulting in a gain on disposal of RMB1,000 (six months ended 30 June 2016: loss of RMB3,000).

### (b) Valuation

The freehold land and buildings held by the Group for own use at 30 June 2017 were carried at their fair values as determined by the directors with reference to recent market transactions for similar properties.

The revaluation surplus of RMB79,000 (six months ended 30 June 2016: RMB122,000) and surplus of RMBNil (six months ended 30 June 2016: RMBNil) have been recognised in other comprehensive income/(loss) and accumulated in properties revaluation reserve, and recognised in profit or loss for the period respectively.

## 11. INVESTMENT PROPERTY

### Valuation

The investment property held by the Group at 30 June 2017 was carried at its fair value as determined by the directors with reference to recent market transactions for similar properties.

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

| | **At 30 June 2017** | At 31 December 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Mutual funds/unit trusts, at fair value | | |
| Established in Taiwan *(note (a))* | **38,114** | 38,640 |

*Notes:*

(a) 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.

The trust monies have been invested, in mutual funds and unit trusts in Taiwan, which were managed by fund managers of these financial institutions in Taiwan. 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.

Financial assets designated as at FVTPL are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows. The Group has obtained a net realised and unrealised gain of approximately RMB352,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB1,293,000). The net realised and unrealised gain of the above financial assets are recorded in "other net (loss)/gain" in the consolidated statement of profit or loss.

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

## 13. TRADE AND OTHER RECEIVABLES

| | At 30 June 2017 RMB'000 (Unaudited) | At 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Trade receivables *(note)* | **157** | 250 |
| Other receivables | **4,957** | 4,588 |
| *Less:* allowance for impairment loss | **(291)** | (291) |
| | **4,666** | 4,297 |
| Loans and receivables | **4,823** | 4,547 |
| Deposits and prepayments | **48,752** | 50,839 |
| | **53,575** | 55,386 |
| Representing: | | |
| Current | **51,854** | 53,664 |
| Non-current | **1,721** | 1,722 |
| | **53,575** | 55,386 |

*Note:*

Trade receivables are net of allowance for doubtful debts of RMBNil (2016: 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 2017 RMB'000 (Unaudited) | At 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| 0 to 180 days | **131** | 136 |
| 181 to 365 days | **–** | 10 |
| 1 year to 2 years | **26** | 104 |
| | **157** | 250 |

The average credit period on sales, except for sale of burial plots, granted to customers is 45 days (2016: 45 days).

For sale of burial plots, the customers can elect to make payment on a lump sum basis or settle the contract sum by up to a maximum of 48 monthly instalments. The instalment receivables will be discounted at an appropriate effective interest rate.

## 14. TRADE AND OTHER PAYABLES

| | **At 30 June 2017** | At 31 December 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables *(note)* | **1,215** | 1,261 |
| Accruals and other payables | **7,307** | 7,435 |
| Financial liabilities measured at amortised cost | **8,522** | 8,696 |

*Note:*

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

| | **At 30 June 2017** | At 31 December 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| 0 to 30 days | **676** | 740 |
| 31 days to 90 days | **63** | 94 |
| Over 90 days | **476** | 427 |
| | **1,215** | 1,261 |

## 15. BANK BORROWINGS

| | **Bank borrowings** |
|---|---|
| | **Bank borrowings, secured** |
| | *RMB'000* |
| Balance at 1 January 2017 (audited) | |
| – current | 1,023 |
| – non-current | 9,959 |
| | 10,982 |
| Repayment | (527) |
| Effect of foreign currency exchange differences | 407 |
| Balance at 30 June 2017 (unaudited) | 10,862 |
| Representing: | |
| Current | 1,061 |
| Non-current | 9,801 |
| | 10,862 |

## 16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

***Fair value hierarchy***

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the financial controller performing valuations for the financial instruments. The team reports directly to the Executive Directors and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the Executive Directors. Discussion of the valuation process and results with the Executive Directors and the audit committee is held twice a year, to coincide with the reporting dates.

| | | **Fair value measurements as at 30 June 2017 categorised into** | | |
|---|---|---|---|---|
| | **Fair value at 30 June 2017** | **Level 1** | **Level 2** | **Level 3** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Recurring fair value measurement | | | | |
| Financial assets: | | | | |
| Financial assets designated as at FVTPL | | | | |
| – Mutual funds/unit trusts | 38,114 | 38,114 | – | – |

| | Fair value at 31 December 2016 | Fair value measurements as at 31 December 2016 categorised into | | |
|---|---|---|---|---|
| | | **Level 1** | **Level 2** | **Level 3** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Audited) | (Audited) | (Audited) | (Audited) |
| Recurring fair value measurement | | | | |
| Financial assets: | | | | |
| Financial assets designated as at FVTPL | | | | |
| – Mutual funds/unit trusts | 38,640 | 38,640 | – | – |

During the six months ended 30 June 2017, there were no transfer between instrument in Level 1 and Level 2 or transfers into or out of Level 3 (2016: 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.

***Valuation techniques and inputs used in Level 2 fair value measurements***

Structured deposits are principal protected and only the interest or yield on the deposit may be affected by movements in the relevant reference value. The structured deposits are valued using valuation techniques with observable and unobservable inputs principally comprising market interest rates.

Structured deposits are measured at fair value. Fair value is estimated using net present value of estimated future cash flow adjusted as appropriate for market risk (interest rate risk).

**(b) Fair values of financial instruments 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 2016 and 30 June 2017.

## 17. 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 | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Short-term employee benefits | **1,914** | 1,452 |
| Post-employment benefits | **16** | 13 |
| | **1,930** | 1,465 |

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

### (b) Remuneration for relatives of key management personnel

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Short-term employee benefits | **237** | 235 |
| Post-employment benefits | **–** | 2 |
| | **237** | 237 |

## 18. CAPITAL COMMITMENTS

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

| | **At 30 June 2017** | At 31 December 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Capital expenditure contracted but not provided for: | | |
| – Property, plant and equipment | **24** | 24 |
| – Investment in a joint venture | **6,500** | 6,500 |
| | **6,524** | 6,524 |

# 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 revenue derived from the PRC market was RMB27.3 million for the six months ended 30 June 2017, representing an increase of 4.2% from the corresponding period last year, and accounted for 93.7% of the Group's revenue.

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

***Taiwan***

Revenue derived from the Taiwan market was RMB1.0 million for the six months ended 30 June 2017, representing an increase of 10.4% from the corresponding period last year, and accounted for 3.3% of the Group's revenue.

***Hong Kong***

Revenue derived from the Hong Kong market was RMB0.5 million for the six months ended 30 June 2017, representing an increase of 10.3% from the corresponding period last year, and accounted for 1.7% of the Group's revenue.

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 provision of funeral arrangement services to funeral services deed holders and other customers, which are accounted for by the Group as revenue.

***Vietnam***

The Group's revenue derived from the sales of burial plots in Vietnam was approximately RMB0.4 million for the six months ended 30 June 2017 and accounted for 1.3% of the Group's revenue.

**Financial Review**

For the six months ended 30 June 2017, the Group's revenue was approximately RMB29.1 million, representing an increase of 5.0% from approximately RMB27.7 million for the corresponding period of last year. The increase was mainly due to the increase in revenue of the Group's funeral services business in Chongqing, the PRC and the sales of burial plots in Vietnam.

Cost of sales for the six months ended 30 June 2017 was approximately RMB12.8 million, increasing by approximately 20.9% compared with the corresponding period in 2016. The increase in cost of sales was mainly attributable to the increase in the revenue of the Group's funeral services and sales of burial plots.

The other revenue and other net gain for the six months ended 30 June 2017 was approximately RMB1.3 million compared with RMB1.6 million for the corresponding period in 2016. The decrease was mainly due to the exchange loss compared to exchange gain for the corresponding period in 2016 and the decrease in net realised and unrealised gain on financial assets designated as at FVTPL.

Selling expenses for the six months ended 30 June 2017 increased by approximately 9.3% to approximately RMB2.7 million as compared with the corresponding period in 2016. The increase in the amount of selling expenses was mainly attributable to increase in commission expenses as the increase in the revenue for the period.

Administrative expenses decreased by approximately 1.6% to approximately RMB15.8 million for the six months ended 30 June 2017 as a result of net effect of decrease in repair and maintenance expenses and increase in staff cost and depreciation.

The loss attributable to the owners of the Company for the six months ended 30 June 2017 was approximately RMB1.3 million (2016: RMB0.02 million) as a result of the cumulative effect from the above-mentioned factors.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintains a healthy and sound financial position. As at 30 June 2017, the Group had bank balances and cash of approximately RMB101.8 million (31 December 2016: approximately RMB98.6 million) and bank borrowings of approximately RMB10.9 million (31 December 2016: approximately RMB11.0 million). All bank borrowings were denominated in New Taiwan Dollars and United States Dollars at prevailing market interest. As at 30 June 2017, 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 4.3% as at 30 June 2017 (31 December 2016: 4.3%).

## EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's operations are geographically based in the PRC, Taiwan, Hong Kong and Vietnam. The revenue derived from Taiwan accounted for approximately 3.3% (2016: approximately 3.2%); Hong Kong accounted for approximately 1.7% (2016: approximately 1.6%) and; Vietnam accounted for approximately 1.3% (2016: 0.7%) of the total revenue for the six months ended 30 June 2017. The financial statements are presented in Renminbi, while a portion of the revenue and expenses are denominated in 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 New Taiwan Dollar, Hong Kong Dollar and Vietnamese Dong. The Group's operations results and financial condition may be affected by changes in the exchange rates of Renminbi against the New Taiwan Dollar, Hong Kong Dollar and Vietnamese Dong in which the Group's revenue and expenses are denominated. As at 30 June 2017, 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

The Group did not have any significant acquisition or disposal of investment for the six months ended 30 June 2017.

## CHARGE ON GROUP ASSETS

The carrying amounts of property, plant and equipment as security for the Group's bank borrowings were approximately RMB19.2 million (31 December 2016: approximately RMB18.5 million).

## THE NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2017, the Group employed 214 employees (31 December 2016: 221 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 2017, 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 2017, 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 5.68 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 2017, the Company was notified that there was no substantial shareholders' interests (other than the Directors and chief executive of the Company), being 5% or more of the issued share capital of the Company.

**Competing business**

As at 30 June 2017, 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) 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 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 2017 are as follows:

| Name/category of participants | Date of grant | Exercise price per share | Exercise period | Number of share options At 1 January 2017 | Lapsed | At 30 June 2017 |
|---|---|---|---|---|---|---|
| **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) | – |
| 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 | 8,348,000 | (320,000) | 8,028,000 |
| | 16 January 2012 | HK$0.60 | 16 January 2013 to 15 January 2017 | 3,560,000 | (3,560,000) | – |
| **Consultants** | 11 February 2010 | HK$1.18 | 11 August 2010 to 11 February 2020 | 41,900,000 | – | 41,900,000 |
| | | | | 57,808,000 | (7,880,000) | 49,928,000 |

The options granted on 11 February 2010 expire ten years from the date of grant. As at 30 June 2017, 1,168,000 of 50,668,000 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 50,668,000 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 were lapsed upon the expiry of exercise period of five years from the grant date.

Save as disclosed above, as at 30 June 2017, 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 2017, 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's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the six months ended 30 June 2017, with the exception for the following deviations:

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 and the announcement (the "Announcement") by the Company on 8 December 2015 with the Group's actual business progress for the period from 9 September 2009 (the "Listing Date") to 30 June 2017 is set out below:

| | Business objectives for the period from the Listing Date to 30 June 2017 as stated in the Prospectus and the Announcement | Actual business progress up to 30 June 2017 |
|---|---|---|
| 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.<br><br>The Group is in the process of negotiating the terms with the owners of remaining funeral parlours and new funeral service centres.<br><br>The Group has also signed other two new subcontracting agreements during 2010.<br><br>The Group has commenced business in 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. |

| | Business objectives for the period from the Listing Date to 30 June 2017 as stated in the Prospectus and the Announcement | Actual business progress up to 30 June 2017 |
|---|---|---|
| | | As disclosed in the Announcement, the Board resolved to change the application of the remaining net proceeds of the Placing as points 6 and 7 below. |
| 3. | Purchase of funeral service equipment and facilities | The Group is conducting the feasibility study on advanced equipment and facilities designated for funeral.<br><br>As disclosed in the Announcement, the Board resolved to change the application of the remaining net proceeds of the Placing as points 6 and 7 below. |
| 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. |
| 6. | Consideration for the Acquisition | The Group has completed the Acquisition on 31 March 2016. |
| 7. | Expansion of the business into the market on the golden-ager and elderly care | The Group has started the acquisition of related property, plant and equipment. |

During the period from the Listing Date to 30 June 2017, 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 and the Announcement from the Listing Date to 30 June 2017** *RMB'000* | **Actual use of proceeds from the date of listing to 30 June 2017** *RMB'000* |
|---|---|---|
| Expand funeral services network in other major cities by entering into funeral-services agreement | 12,960 | 12,960 |
| Purchase of funeral service equipment and facilities | 10,239 | 10,239 |
| Refurbishment of new and existing service centres | 21,266 | 21,266 |
| Expansion of marketing network | 1,450 | 1,450 |
| Consideration for the Acquisition of BLL | 18,200 | 18,200 |
| Expansion of the business into the market on the golden-ager and elderly care | 11,721 | 4,226 |

The Directors expect that most of the business objectives stated in the Announcement for the period from the Listing Date to 30 June 2017 will be revisited in the second half of 2017. All the remaining proceeds as at 30 June 2017 have 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 2017 pursuant to the relevant provisions contained in the Code 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, 1 August 2017

*As at the date hereof, the Board comprises Mr. Liu Tien-Tsai 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.*