



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)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

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This announcement, for which the directors (the “Directors”) of Sino-Life Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 the information contained in this announcement is accurate and complete in all material respects and not misleading; and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) is here to present the condensed unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019 (the “Period”) together with the comparative condensed unaudited consolidated figures for the corresponding period in 2018 (the “Prior Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	14,430	13,451	31,705	31,509
Cost of sales		(7,778)	(7,827)	(15,658)	(16,200)
Gross profit		6,652	5,624	16,047	15,309
Other gains	5	574	847	1,041	1,043
Selling expenses		(2,938)	(1,816)	(5,635)	(4,498)
Administrative expenses		(4,428)	(4,797)	(9,484)	(11,261)
Other operating expenses		(540)	(2,108)	(540)	(2,907)
(Loss)/profit from operations		(680)	(2,250)	1,429	(2,314)
Finance costs	6(a)	(1,158)	(145)	(1,228)	(190)
(Loss)/profit before taxation	6	(1,838)	(2,395)	201	(2,504)
Income tax	7	(131)	(182)	(573)	(600)
Loss for the period		(1,969)	(2,577)	(372)	(3,104)
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		43	237	43	237
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 (the “PRC”) (“non-PRC operations”)		(766)	5,179	951	6,273
Other comprehensive income for the period, net of income tax		(723)	5,416	994	6,510
Total comprehensive income for the period, net of income tax		(2,692)	2,839	622	3,406

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
(Loss)/profit attributable to:					
Owners of the Company		(1,307)	(2,355)	242	(2,869)
Non-controlling interests		(662)	(222)	(614)	(235)
		<u>(1,969)</u>	<u>(2,577)</u>	<u>(372)</u>	<u>(3,104)</u>
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(2,681)	3,083	752	3,716
Non-controlling interests		(11)	(244)	(130)	(310)
		<u>(2,692)</u>	<u>2,839</u>	<u>622</u>	<u>3,406</u>
(Loss)/earnings per share					
Basic and diluted (RMB cents)	8	<u>(0.18)</u>	<u>(0.32)</u>	<u>0.03</u>	<u>(0.39)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	31,612	32,828
Right-of-use assets		31,513	—
Investment properties	11	6,516	6,505
Prepaid lease payments		—	2,737
Intangible assets		2	2
Deposits for lease of funeral parlours and funeral services centres		1,000	1,000
		70,643	43,072
CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss (“FVTPL”)	12	32,781	33,320
Development and formation costs		5,186	5,230
Inventories		1,084	1,085
Tax recoverable		631	—
Trade and other receivables	13	49,826	50,312
Prepaid lease payments		—	67
Cash and cash equivalents		115,764	103,467
		205,272	193,481
CURRENT LIABILITIES			
Trade and other payables	14	(11,272)	(15,623)
Contract liabilities		(95,189)	(96,320)
Lease liabilities		(4,280)	—
Current portion of bank borrowings		(1,270)	(1,267)
Income tax payable		(3,787)	(4,258)
Amount due to a director		(773)	(723)
Amount due to a controlling shareholder		(6,656)	(4,344)
Provisions		(2,988)	(2,975)
		(126,215)	(125,510)
NET CURRENT ASSETS		79,057	67,971
TOTAL ASSETS LESS CURRENT LIABILITIES		149,700	111,043

	At 30 June 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Audited)
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Contract liabilities	(195)	(197)
Lease liabilities	(36,083)	–
Bank borrowings	(7,503)	(8,037)
	<u>(43,781)</u>	<u>(8,234)</u>
NET ASSETS	<u>105,919</u>	<u>102,809</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	69,218	69,218
Reserves	45,119	35,997
	<u>114,337</u>	<u>105,215</u>
Non-controlling interests	(8,418)	(2,406)
TOTAL EQUITY	<u>105,919</u>	<u>102,809</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Properties revaluation reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Share-based compensation reserve <i>RMB'000</i>	Accu- mulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2018 (Audited)	69,218	220,633	(16,261)	790	1,550	2,350	(17,775)	7,345	(153,297)	114,553	(2,464)	112,089
Loss for the period	-	-	-	-	-	-	-	-	(2,869)	(2,869)	(235)	(3,104)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	237	-	-	237	-	237
Exchange differences on translation of financial statements of non-PRC operations	-	-	-	-	-	-	6,348	-	-	6,348	(75)	6,273
Other comprehensive income/(loss)	-	-	-	-	-	-	6,585	-	-	6,585	(75)	6,510
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	6,585	-	(2,869)	3,716	(310)	3,406
At 30 June 2018 (Unaudited)	69,218	220,633	(16,261)	790	1,550	2,350	(11,190)	7,345	(156,166)	118,269	(2,774)	115,495
At 1 January 2019 (Unaudited)	69,218	220,633	(16,261)	790	1,550	2,601	(19,359)	7,027	(160,984)	105,215	(2,406)	102,809
Initial application of HKFRS 16	-	-	-	-	-	-	-	-	(11,734)	(11,734)	-	(11,734)
At 1 January 2019, restated (Unaudited)	69,218	220,633	(16,261)	790	1,550	2,601	(19,359)	7,027	(172,718)	93,481	(2,406)	91,075
Profit/(loss) for the period	-	-	-	-	-	-	-	-	242	242	(614)	(372)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	43	-	-	-	43	-	43
Exchange differences on translation of financial statements of non-PRC operations	-	-	-	-	-	-	467	-	-	467	484	951
Other comprehensive income/(loss)	-	-	-	-	-	43	467	-	-	510	484	994
Total comprehensive income/(loss) for the period	-	-	-	-	-	43	467	-	242	752	(130)	622
Recognition of non-controlling interests upon partial disposal of a subsidiary	-	-	-	-	-	-	-	-	20,104	20,104	(5,882)	14,222
At 30 June 2019 (Unaudited)	69,218	220,633	(16,261)	790	1,550	2,644	(18,892)	7,027	(152,372)	114,337	(8,418)	105,919

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,565)</u>	<u>(2,364)</u>
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	<u>14,146</u>	<u>(437)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(355)</u>	<u>(967)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11,226	(3,768)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	103,467	98,186
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	<u>1,071</u>	<u>6,927</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>115,764</u>	<u>101,345</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>115,764</u>	<u>101,345</u>

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL

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 GEM of the Stock Exchange on 9 September 2009. Its controlling shareholder is Hong Kong Gaoqi Biological Technology Company Limited (“HK Gaoqi”).

These condensed unaudited consolidated interim financial statements for the six months ended 30 June 2019 comprise the financial statements of the Group.

The Company is principally engaged in investment holding. The subsidiaries are mainly engaged in (i) the provision of funeral and related services; (ii) sales of burial plots and tombstones and provision of cemetery maintenance services; (iii) provision of elderly care and related consultancy services; and (iv) sales of stem cells and immunocytes.

The address of the Company’s registered office and principal place of business are The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands and Unit 1303, 13/F., Austin Tower, 22–26 Austin Avenue, Tsimshatsui, Kowloon, Hong Kong respectively.

2. BASIS OF PREPARATION

These condensed unaudited consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed unaudited consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018 (the “2018 Annual Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS(s)”).

These condensed unaudited consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 Annual Financial Statements, except for the changes in accounting policies that are expected to be reflected in the annual financial statements for the year ending 31 December 2019. Note 3 of these condensed unaudited consolidated interim financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these condensed unaudited consolidated interim financial statements.

These condensed unaudited consolidated interim financial statements have been prepared under the historical cost convention, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties;
- freehold land and buildings; and
- financial assets designated as at FVTPL.

The preparation of these condensed unaudited consolidated interim financial statements 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. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Annual Financial Statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16.

These condensed unaudited consolidated interim financial statements contains condensed unaudited 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 2018 Annual Financial Statements. These condensed unaudited 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 HKFRSs.

These condensed unaudited consolidated interim financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, unless otherwise stated.

With a review of financial statements presentation, certain items in these condensed unaudited consolidated interim 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.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. CHANGES IN ACCOUNTING POLICIES

3.1 New and amended standards adopted by the Group

The Group has adopted the following new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for this condensed unaudited consolidated interim financial statement.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015 – 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised HKFRSs has had no significant financial impact on this condensed unaudited consolidated interim financial statements. The nature and impact of the HKFRS 16 are described as below.

3.2 Impact on the condensed unaudited consolidated interim financial statements

HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to accounts for all leases under a single on-balance sheet model. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

The effect of adoption of HKFRS 16 is as follows:

Impact on the condensed unaudited consolidated statement of financial position as at 30 June 2019 (increase/(decrease)):

	<i>RMB'000</i> (Unaudited)
Assets	
Right-of-use assets	31,513
Prepayment lease payments	<u>(2,798)</u>
Total assets	<u><u>28,715</u></u>
Liabilities	
Lease liabilities	<u>40,363</u>
Total liabilities	<u><u>40,363</u></u>
Equity	
Reserves	<u>(11,648)</u>
Total equity	<u><u>(11,648)</u></u>

Impact on the condensed unaudited consolidated statement of profit or loss and other comprehensive income for the Period (increase/(decrease)):

	<i>RMB'000</i> (Unaudited)
Operating lease expenses (included in administrative expenses)	(3,103)
Depreciation and amortisation expense (included in administrative expenses)	<u>1,984</u>
Loss from operations	(1,119)
Finance costs	1,040
Income tax	<u>–</u>
Loss for the Period	<u><u>(79)</u></u>

The adoption of HKFRS 16 has no significant impact on (loss)/earnings per share for the Period.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for some office premises. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rental expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, respectively. Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for lease contracts with a lease term of 12 months or less and do not contain a purchase option (“short-term leases”) and lease contracts for which the underlying asset is of low value (“low-value assets”). The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

As a lessee – Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average of the incremental borrowing rates used for determination of the remaining lease payments was 5.13% and 4.9% for the leases located in Hong Kong Special Administrative Region of the PRC (“Hong Kong”) and the PRC respectively.

To ease the transition to HKFRS 16, the Group applied a practical expedient at the date of initial application of HKFRS 16 whereby it elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

Based on the foregoing, as at 1 January 2019:

	As at 31 December 2018 <i>RMB'000</i> (Audited)	As at 1 January 2019 <i>RMB'000</i> (Unaudited)
Right-of-use assets	–	33,497
Prepaid lease payments	2,804	–
Lease liabilities	–	(42,427)
	<u>–</u>	<u>(42,427)</u>

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	2019 <i>RMB'000</i> (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	60,871
Discounted using the lessee's incremental borrowing rate of at the date of initial application and lease liabilities recognised as at 1 January 2019	<u>42,427</u>
Of which are:	
– Current lease liabilities	4,178
– Non-current lease liabilities	<u>38,249</u>
	<u>42,427</u>

3.2 Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.3 Amounts recognised in the condensed unaudited consolidated statement of financial position and condensed unaudited consolidated statement of profit or loss and other comprehensive income

	Right-of-use assets		
	Leasehold land	Buildings	Lease Liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2019	1,152	32,345	42,427
Depreciation expense	(14)	(1,970)	–
Interest expense	–	–	1,040
Payments	–	–	(3,079)
Exchange difference	–	–	(25)
As at 30 June 2019	<u>1,138</u>	<u>30,375</u>	<u>40,363</u>

4. REVENUE AND SEGMENT INFORMATION

(A) Segment information

The Group manages its businesses by divisions, which are organised by a business lines. In a manner consistent with the way in which information is reported internally to the executive directors of the Company (the “Executive Directors”), which are the chief operating decision maker, for the purposes of resources allocation and performance assessment.

During the Period, the Company commenced a new business segment – stem cells and immunocytes business and the Executive Directors considered that this business segment will become the key driver of the value generation of the Company, and hence assessed the performance of stem cells and immunocytes business individually and separately from the existing business of the Group.

The reportable operating segments derive their revenue primarily from funeral services, elderly care services and stem cells and immunocytes business.

For the six months ended 30 June 2018, the Group had below two reportable segments:

- Funeral services: Provision of funeral related service, including arrangement services and related consultancy services, provision of funeral and cremation services and sale of burial plots and tombstones; and
- Elderly care services: Provision of elderly care and related consultancy services.

For the six months ended 30 June 2019, apart from the above two segments, the Group had below one additional reportable segment:

- Stem cells and immunocytes business: Sales of stem cells and immunocytes.

(A) The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2019 and 2018 is as follows:

Segment results represent the earnings and loss of each segment without allocation of fair value gains on investment properties, other gains, 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.

	Six months ended 30 June						
	2019				2018		
	Funeral services	Elderly care services	Stem cells and immunocytes business	Total	Funeral services	Elderly care services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment Revenue							
– Funeral services and cremation services provided in funeral parlours and funeral service centres under the Group's management	25,746	–	–	25,746	29,250	–	29,250
– Funeral arrangement and consultancy services	5,483	–	–	5,483	2,136	–	2,136
– Sales of burial plots and tombstones	175	–	–	175	123	–	123
– Sales of stem cells and immunocytes	–	–	301	301	–	–	–
	<u>31,404</u>	<u>–</u>	<u>301</u>	<u>31,705</u>	<u>31,509</u>	<u>–</u>	<u>31,509</u>
Segment operating profit/(loss)	<u>2,989</u>	<u>–</u>	<u>(13)</u>	<u>2,976</u>	<u>1,239</u>	<u>(610)</u>	<u>629</u>

There are no inter-segment sales during the Period (The Prior Period: Nil).

The following table presents segment assets and segment liabilities of the Group's reportable segments as at 30 June 2019 and 31 December 2018:

	As at 30 June 2019				As at 31 December 2018		
	Funeral services	Elderly care services	Stem cells and immunocytes business	Total	Funeral services	Elderly care services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Segment assets	<u>254,617</u>	<u>–</u>	<u>457</u>	<u>255,074</u>	<u>223,222</u>	<u>4,439</u>	<u>227,661</u>
Segment liabilities	<u>159,768</u>	<u>–</u>	<u>460</u>	<u>160,228</u>	<u>123,420</u>	<u>398</u>	<u>123,818</u>

Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Total reportable segment profit derived from Group's external customers	2,976	629
Other gains	1,041	1,043
Finance costs	(1,228)	(190)
Unallocated head office and corporate expenses		
– Depreciation and amortisation	–	(530)
– Staff costs (including Directors' emoluments)	(907)	(1,396)
– Operating lease charges:		
minimum lease payments	–	(63)
– Others	(1,681)	(1,997)
Consolidated profit/(loss) before taxation	<u>201</u>	<u>(2,504)</u>

(B) Disaggregation of revenue

Revenue represents the fair value of consideration received and receivable for the services rendered to customers and goods sold to customers. In the following table, revenue is disaggregated by primary geographical markets, major products and service lines and timing on revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

For the six months ended 30 June 2019

	Funeral services <i>RMB'000</i> (Unaudited)	Elderly care services <i>RMB'000</i> (Unaudited)	Stem cells and immunocytes business <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Primary geographical market				
The PRC	29,657	–	301	29,958
Taiwan	1,308	–	–	1,308
Hong Kong	264	–	–	264
Socialist Republic of Vietnam (“Vietnam”)	175	–	–	175
	<u>31,404</u>	<u>–</u>	<u>301</u>	<u>31,705</u>
Major products and services				
Funeral services and cremation services provided in funeral parlours and funeral service centres under the Group’s management	25,746	–	–	25,746
Funeral arrangement and consultancy services	5,483	–	–	5,483
Sales of burial plots and tombstones	175	–	–	175
Sales of stem cells and immunocytes	–	–	301	301
	<u>31,404</u>	<u>–</u>	<u>301</u>	<u>31,705</u>
Timing of revenue recognition				
At a point in time	175	–	–	175
Transferred over time	31,229	–	301	31,530
	<u>31,404</u>	<u>–</u>	<u>301</u>	<u>31,705</u>

For the six months ended 30 June 2018

	Funeral services <i>RMB'000</i> (Unaudited)	Elderly care services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Primary geographical market			
The PRC	29,234	—	29,234
Taiwan	1,427	—	1,427
Hong Kong	717	—	717
Vietnam	131	—	131
	<u>31,509</u>	<u>—</u>	<u>31,509</u>
Major products and services			
Funeral services and cremation services provided in funeral parlours and funeral service centres under the Group's management	29,250	—	29,250
Funeral arrangement and consultancy services	2,136	—	2,136
Sales of burial plots and tombstones	123	—	123
	<u>31,509</u>	<u>—</u>	<u>31,509</u>
Timing of revenue recognition			
At a point in time	123	—	123
Transferred over time	31,386	—	31,386
	<u>31,509</u>	<u>—</u>	<u>31,509</u>

(C) Geographic 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, investment properties, right-of-use assets, prepaid lease payments, intangible assets and deposits for lease of funeral parlours and funeral services centres ("Specified non-current assets").

The geographical location of customers refers to the location at which the services were provided or the goods delivered. The geographical locations of Specified non-current assets are based on the physical location of the assets under consideration. In the case of intangible assets and goodwill, it is based on the location of the operation to these intangible assets are allocated.

	Revenue from external customers (by customer location)		Specified non-current assets (by physical location)	
			As at	As at
	Six months ended 30 June		30 June	31 December
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The PRC	29,958	29,234	39,754	11,866
Taiwan	1,308	1,427	30,632	31,142
Hong Kong	264	717	196	2
Vietnam	175	131	61	62
	31,705	31,509	70,643	43,072

5. OTHER GAINS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	287	222
Sundry income	35	—
Rental income from investment properties	593	167
Gain on disposal of property, plant and equipment	83	—
Net exchange gain	3	654
Net gains on terminated and lapsed funeral services deeds	29	—
Fair value gains on investment properties	11	—
	1,041	1,043

6. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(a) Finance costs		
Effective interest on lease liabilities	1,040	–
Interest on bank borrowings	188	190
	<u>1,228</u>	<u>190</u>
(b) Staff costs (including Directors' emoluments)		
Salaries, wages and other benefits	8,449	6,813
Contributions to defined contribution retirement plans	1,134	1,178
	<u>9,583</u>	<u>7,991</u>
(c) Depreciation		
Right-of-use assets	1,984	–
Own assets	995	1,575
	<u>2,979</u>	<u>1,575</u>
(d) Other items		
Amortisation of intangible assets	118	380
Cost of inventories	4,054	4,091
Gross rental income from investment properties	(593)	(167)
Operating lease charges for property, plant and equipment:		
minimum lease payments		
– rented premises	–	60
– lease of plant and equipment	4	3
– lease of funeral parlours and funeral service centres	–	5,050
Operating lease charges for property, plant and equipment:		
contingent rents		
– lease of funeral parlours and funeral service centres	–	335
	<u>–</u>	<u>335</u>

7. INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax (“EIT”) (Note (c))	573	600
	<u>573</u>	<u>600</u>

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 2019 (2018: Nil).
- (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 2019 (2018: Nil).
- (c) The subsidiaries operating in the PRC are subject to EIT at 25% (2018: 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% (2018: 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 2019, Chongqing Xizhou is subject to EIT at 15% (2018: 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”), both indirect subsidiaries of the Company, are subject to Taiwan Enterprise Income Tax at 17% (2018: 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 2019 (2018: Nil).
- (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% (2018: 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 2019 (2018: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the three months and six months ended 30 June 2019 are as follow:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit attributable to the owners of the Company (RMB'000)	<u>(1,307)</u>	<u>(2,355)</u>	<u>242</u>	<u>(2,869)</u>
Weighted average number of ordinary shares	<u>742,500,000</u>	<u>742,500,000</u>	<u>742,500,000</u>	<u>742,500,000</u>
Basic (loss)/earnings per share (RMB cents)	<u><u>(0.18)</u></u>	<u><u>(0.32)</u></u>	<u><u>0.03</u></u>	<u><u>(0.39)</u></u>

(b) Diluted (loss)/earnings per share

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the three months and six months ended 30 June 2019 and 2018 as the impact of the share options had anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

9. DIVIDENDS

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2019 (2018: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of approximately RMB114,000 (2018: RMB1,253,000). Items of property, plant and equipment with carrying amounts of approximately RMB54,000 were disposed of during the six months ended 30 June 2019 (2018: RMB2,454,000).

(b) Valuation

The freehold land and buildings held by the Group for own were carried at their fair values as determined by the Directors, at 30 June 2019, with reference to recent market transactions for similar properties; and at 31 December 2018, with reference to the valuation reports prepared by an independent firm of surveyors.

During the six months ended 30 June 2019, the revaluation surplus of RMB43,000 (2018: RMB237,000) have been recognised in other comprehensive (loss)/income and accumulated in properties revaluation reserve.

11. INVESTMENT PROPERTIES

Valuation

The investment properties held by the Group were carried at its fair value as determined by the Directors, at 30 June 2019, with reference to recent market transactions for similar properties; and at 31 December 2018, with reference to the valuation reports prepared by an independent firm of surveyors.

12. FINANCIAL ASSETS DESIGNATED AS AT FVTPL

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Mutual funds/unit trusts (established in Taiwan), at fair value (Note)	<u>32,781</u>	<u>33,320</u>

Note:

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 condensed unaudited consolidated statement of cash flows. The Group has obtained a net realised and unrealised loss, in aggregate, of approximately RMB540,000 for the six months ended 30 June 2019 (2018: gain of RMB68,000). The net realised and unrealised loss of the above financial assets are recorded in “other operating expenses” (2018: other gains) in the condensed 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 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Audited)
Trade receivables (<i>Note</i>)	<u>1,780</u>	<u>1,275</u>
Other receivables	10,230	10,272
Less: allowance for expected credit losses (“ECLs”)	<u>(3,156)</u>	<u>(3,156)</u>
	<u>7,074</u>	<u>7,116</u>
Loans and receivables	8,854	8,391
Deposits and prepayments	<u>41,972</u>	<u>42,921</u>
	<u><u>50,826</u></u>	<u><u>51,312</u></u>
Representing:		
Current	49,826	50,312
Non-current	<u>1,000</u>	<u>1,000</u>
	<u><u>50,826</u></u>	<u><u>51,312</u></u>

Note:

No loss allowance for ECLs in respect of trade receivables was recorded for the six months ended 30 June 2019. Ageing analysis of trade receivables, based on the date of sales of goods or service rendered, as at 30 June 2019 and 31 December 2018 is as below:

	At 30 June 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Audited)
0 to 180 days	1,512	1,007
181 to 365 days	167	116
1 year to 2 years	<u>101</u>	<u>152</u>
	<u><u>1,780</u></u>	<u><u>1,275</u></u>

The average credit period on sales, except for sale of burial plots, granted to customers is 45 days (2018: 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.

There is no credit period granted to customers for the other services rendered by the Group.

14. TRADE AND OTHER PAYABLES

	At 30 June 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Audited)
Trade payables (<i>Note</i>)	2,062	2,994
Accruals and other payables	9,210	12,629
	<u>11,272</u>	<u>15,623</u>

Note:

The following is an ageing analysis of trade payables, based on the date of receipt of goods or services received, as at 30 June 2019 and 31 December 2018:

	At 30 June 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Audited)
0 to 30 days	1,141	144
31 days to 90 days	455	23
Over 90 days	466	2,827
	<u>2,062</u>	<u>2,994</u>

15. 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 an Executive Director performing valuations for the financial instruments. The team reports directly to the Executive Directors and the audit committee of the Company (the "Audit Committee"). Results of the valuations at each interim and annual reporting date are reviewed and approved by the Executive Directors. Discussion of the valuation process and results with the Executive Director and the Audit Committee is held twice a year, to coincide with the reporting dates.

		Fair value measurements as at 30 June 2019		
Fair value at 30 June 2019 RMB'000 (Unaudited)		Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)
Recurring fair value measurement				
Financial assets:				
Financial assets designated as at FVTPL				
– Mutual funds/unit trusts	32,781	32,781	–	–
		Fair value measurements as at 31 December 2018		
Fair value at 31 December 2018 RMB'000 (Audited)		Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)
Recurring fair value measurement				
Financial assets:				
Financial assets designated as at FVTPL				
– Mutual funds/unit trusts	33,320	33,320	–	–

During the six months ended 30 June 2019, there were no transfer between instrument in Level 1 and Level 2 or transfers into or out of Level 3 (2018: 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.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at costs or amortised costs are not materially different from their fair values as at 31 December 2018 and 30 June 2019.

16. CAPITAL COMMITMENTS

Capital commitments outstanding not provided for in these condensed unaudited consolidated interim financial statements are as follows:

	At 30 June 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Audited)
Capital expenditure contracted but not provided for:		
– Property, plant and equipment	23	23
– Investment in a joint venture	6,500	6,500
	<u>6,523</u>	<u>6,523</u>

17. RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors, is as follows:

	Six months ended 30 June 2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Short-term employee benefits	1,598	829
Post-employment benefits	7	6
	<u>1,605</u>	<u>835</u>

(b) Remuneration for close family members of key management personnel

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	124	140
Post-employment benefits	4	4
	128	144

(c) Other related parties transactions

- (i) On 1 January 2012, the Company has entered into the Trademark Licence Agreement (the “Trademark Agreement”) with Mr. Liu Tien Tsai (“Mr. Liu”). Pursuant to the Trademark Agreement, Mr. Liu has agreed to grant to the Group on an exclusive basis a licence to use a number of trademarks and service marks in connection with the Group’s funeral services business at a consideration of Hong Kong Dollar (“HKD”) 1,000 per year.
- (ii) On 15 March 2013, a renewal of deed of trust (the “Niao Song Deed”) was entered into between Bau Shan and Ms. Li Pi Hsia (“Ms. Li”), spouse of Mr. Liu, in relation to the land property situated in Taiwan at No. 943 in Section Linnei, Niao Song Township, Kaohsiung County, Taiwan (the “Niao Song Property”). Under the Niao Song Deed, Bau Shan agreed that the Niao Song Property, which is owned by Bau Shan, shall be registered under the name of and held on trust by Ms. Li for Bau Shan for a term of ten years commencing on 15 March 2013. Ms. Li has agreed that she shall act in the interest of Bau Shan in relation to the Niao Song Property during the term of the Niao Song Deed.
- (iii) On 25 March 2016, a deed of trust (the “Neimen Deed”) was entered into between Bu Lao Lin Limited (“BLL”) and Mr. Liu in relation to a land property situated in Taiwan at No. 0300-00001 in Section Laizikeng, Neimen District, Kaohsiung County, Taiwan (the “Neimen Property”). Under the Neimen Deed, BLL agreed that the Neimen Property, which is owned by BLL, shall be registered under the name of and held on trust by Mr. Liu for BLL. Mr. Liu has agreed that he shall act in the interest of BLL in relation to the Neimen Property.
- (iv) Mr. Liu signed a tenancy agreement agreeing the Group to lawfully use the property situated at unit 1404 on Level 14, Zhongxing Garden, No. 1 Heping Road, Chongqing City, the PRC (the “Leased Property”) as the staff dormitory at a monthly rent of RMB4,000 starting from 1 January 2017 and the monthly rent is determined annually.

- (v) Mr. Liu signed a confirmation letter agreeing the licensee, Chongqing Xibao Funeral Technology Co., Ltd. (“Chongqing Xibao”), a wholly owned subsidiary of the Company, to lawfully use the property situated at Unit 1404 on Level 14, Zhongxing Garden, No. 1 Heping Road, Chongqing City, the PRC (the “Licensed Property”) as the registered office without the payment of rent or licence fee. The signed confirmation from Mr. Liu authorising Chongqing Xibao to use the Licensed Property as its registered office does not limit Mr. Liu’s personal use, rental and mortgage of the Licensed Property. There was no revenue or profit contributed by the Licensed Property during the Period as there had been no occupancy of the Licensed Property during the Period. The property licensing arrangement with Mr. Liu will last until 30 January 2052.
- (vi) Guarantee for an amount of approximately RMB34,363,000 (equivalent to United State Dollar (“USD”) 5,000,000) (31 December 2018: RMB32,567,000 (equivalent to USD5,000,000)) is given by Mr. Liu to secure banking facilities granted to the Group during the six months ended 30 June 2019.
- (vii) On 1 April 2016, BLL was granted by Mr. Liu Ting Husan, close family member of Mr. Liu, on an exclusive basis a licence to use a number of trademarks in connection with the elderly care and related consultancy services of BLL at a consideration of HKD1,000 per year.
- (viii) Guarantee for the Group’s bank loan of approximately RMB2,670,000 (31 December 2018: RMB2,892,000) is given by Mr. Liu during the six months ended 30 June 2019.
- (ix) In January 2019, the Group, through its wholly owned subsidiary, Zhongke Zhenqi Biotechnology (Guangdong) Co., Ltd.* (中科臻祺生物技(廣東)有限公司) (“Zhongke Zhenqi”) entered into an agency agreement with Zhongke Guangju Cell Therapy (Guangdong) Co., Ltd.* (“Zhongke Guangju”), a company that Mr. Xu Jianchun, the chairman of the Board and executive Director of the Company, and his associates indirectly hold through a controlled company 30% of the shares, pursuant to which Zhongke Guangju has agreed to engage Zhongke Zhenqi as a tier 1 agent to represent its sales and/or services of stem cells and immunocytes in the PRC, Hong Kong and Macau for three years from 31 January 2019 to 30 January 2022. During the six months ended 30 June 2019, approximately RMB301,000 of the revenue was generated from the sales of the relevant products.

* For identification purpose

(d) Amounts due from other related parties

Particular of amounts due from other related parties, which are included in trade and other receivables are disclosed as follows:

		As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
Ms. Chang Hui Lan	Key management personnel	40	130
Mr. Liu Ting Hsuan	Close family member of key management personnel	6	1

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

(e) Amount due to a controlling shareholder

Particular of amount due to a controlling shareholder is disclosed as follows:

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
HK Gaoqi	6,656	4,344

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 June 2019 (the “Period”), benefiting from rising consumption and ongoing population ageing trend in the PRC, the Group recorded an improvement in its business in the PRC, as compared with the corresponding period in 2018 (the “Prior Period”), while its performance in markets located in other regions were less than satisfactory, including declines recorded in the Hong Kong and Taiwan markets. The elderly care business recently established in Taiwan has been sluggish.

On the other hand, the Group has successfully carried out the project under the agency agreement signed at the beginning of this year in relation to the sales of stem cell and immunocytes in the PRC.

During the Period and the Prior Period, the amount and percentage of the revenue derived from respective geographical segments were as follow:

	Six months ended 30 June			
	2019		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
The PRC	29,958	94.5	29,234	92.8
Taiwan	1,308	4.1	1,427	4.5
Hong Kong	264	0.8	717	2.3
Vietnam	175	0.6	131	0.4
	<u>31,705</u>	<u>100.0</u>	<u>31,509</u>	<u>100.0</u>

The PRC

Funeral business in the PRC continues to be the major source of income of the operations of the Group during the Period and recorded an increase of approximately 2.5% as compared with the Prior Period.

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.

The Group has successfully carried out the project under an agency agreement signed at the beginning of this year in relation to the sales of stem cell and immunocytes in the PRC and recorded a revenue of approximately RMB301,000 during the Period.

Taiwan and Hong Kong

Revenue derived from the Taiwan and Hong Kong market recorded a year on year decrease of approximately 8.3% and 63.2% respectively during the Period.

For both operations 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 contract liabilities, and provision of funeral arrangement services to the deed holders and non-funeral services deed holders, 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 RMB175,000 for the Period (The Prior Period: RMB131,000), representing an increase of approximately 33.6% from the Prior Period.

Financial Review

For the Period, the Group's revenue of approximately RMB31,705,000 remained relatively stable as compared with the Prior Period of approximately RMB31,509,000.

Cost of sales decreased by approximately 3.3% to approximately RMB15,658,000 for the Period from approximately RMB16,200,000 during the Prior Period. The decrease in cost of sales was due to further implementation of cost control measures of the Group's funeral services.

The Group recorded other gains of approximately RMB1,041,000 and remained relatively stable as compared with the Prior Period of approximately RMB1,043,000.

Selling expenses for the Period increased by approximately 25.3% to approximately RMB5,635,000 and accounted for 17.8% (The Prior Period: 14.3%) of the revenue. The increase was mainly attributable to the increase in the revenue and the commencement of the sales of stem cell and immunocytes sales business during the Period.

Administrative expenses was approximately RMB9,484,000 (The Prior Period: RMB11,261,000), accounting for approximately 29.9% (The Prior Period: 35.7%) of revenue. Administrative expenses decreased by approximately 15.8% over the Period, reflecting the satisfying results of the implementation of cost control measures of the Group during the Period.

As the result of the cumulative effect from the above-mentioned factors, the profit attributable to the owners of the Company for the Period was approximately RMB242,000, against the loss attributable to the owners of the Company for the Prior Period of approximately RMB2,869,000. Earnings per share was approximately RMB0.03 cents (The Prior Period: loss per share of RMB0.39 cents).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintains a stable financial position. As at 30 June 2019, the Group had cash and bank balances of approximately RMB115,764,000 (31 December 2018: RMB103,467,000), while current and non-current bank borrowings were approximately RMB1,270,000 and approximately RMB7,503,000 respectively (31 December 2018: RMB1,267,000 and RMB8,037,000 respectively). All bank loans were denominated in New Taiwan Dollars (“NTD”), at prevailing market interest rate. During the Period, the Group did not use any financial instruments for hedging purposes.

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. As at 30 June 2019, the gearing ratio representing the ratio of total borrowing to the total assets of the Group was approximately 3.2% (31 December 2018: 3.9%).

Saved as disclosed in note 16 to these unaudited condensed consolidated financial statements, the Group had no other material capital commitments, material contracts, contingent liabilities or significant investment plans.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group’s operations are geographically based in the PRC, Taiwan, Hong Kong and Vietnam.

The condensed unaudited consolidated interim financial statements of the Group are presented in RMB, except for certain incomes and expenses which are denominated in USD, NTD, HKD and Vietnamese Dong (“VTD”).

It is possible that the value of RMB may fluctuate against that of USD, NTD, HKD and VTD. The Group’s operating results and financial condition may be affected by changes in the exchange rates of RMB against USD, NTD, HKD and VTD in which the Group’s revenue and expenses are denominated.

As at 30 June 2019, 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

(1) Disposal of Bau Shan Life Science Technology Co., Ltd. (“Bau Shan Life”)

In 2018, the Group entered into a sale and purchase agreement, pursuant to which, it disposed 40% of equity interests in Bau Shan Life, its wholly-owned subsidiary in Taiwan to an independent third party at a consideration of NTD62,700,000 (equivalent to approximately RMB13,996,000). The disposal has been completed in April 2019.

Save as disclosed above, the Group did not have other significant acquisitions and disposal of investments.

CHARGE ON GROUP ASSETS

As at 30 June 2019, the carrying amount of property, plant and equipment pledged as security for the Group’s bank borrowings was approximately RMB19,500,000 (31 December 2018: RMB19,455,000).

THE NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2019, the Group employed approximately 160 employees (31 December 2018: 169 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

The Group did not have any contingent liabilities as at 30 June 2019 and 31 December 2018.

PROSPECTS

The Board believes that the Group’s funeral services business is rather stable as our business is relatively focused on densely populated cities in China.

Meanwhile, recent global developments showed that numerous countries across the world have designated the biotechnology industry as their strategic emerging industry in the 21st century. For instance, the United States of America (“USA”) has implemented a “biotechnology industry incentives policy” which continually increases investments in research and industrialisation of biotechnology and Japan has implemented a “bio-industry based nation” strategy. The Sixth Framework Programme of the European Union technology development programme has also allocated 45% of research and development budget to biotechnology and related fields.

Likewise, coupled with the impact of factors such as domestic over capacity, deleveraging, and trade disputes between China and the USA and the resultant gradual slowdown in growth of Chinese economy, the China is paving its way for its transition from a high speed growth phase to a high quality development phase, where technological innovation drives structural transformation and advancement of the economy and form a new driver of economic development. Biotechnology is one of the seven major strategic emerging industries designated as part of key national development. Furthermore, as China's economy develops, health awareness improves and its population aging process accelerates, these factors will lead to an increasing rise in demand for the biotechnology industry and drive momentum behind rapid development of the biotechnology industry.

The Group has actively positioned itself in the biotechnology industry, entering the cells sales business through agency and expanding into the upstream of the cells industry through the business of investing in research and development of cell cultivation, forming a synergistic business system. During the Reporting Period, the stem cells and immunocytes sales and agency business which the Group entered into performed well during the period and has achieved expected results. The Group is expanding into the market with multiple strategies, increasing market promotion efforts, actively seeking quality partners, and has achieved positive and substantial development in developing markets of the related businesses. As our market network building is gradually complete and market penetration steadily rises, we have attracted potential customers though sustained tracking and development, with orders placed and part of operating revenue recognised. The Board expects that the share of the relevant business within the Group will increase in the foreseeable future.

Looking forward, the Group will continue to focus on its existing funeral services business while actively pursuing the development of its cells business. Through an all-rounded investment and cooperation approach, the Group integrate innovative technology, top talents, and boutique projects to further consolidate our position in the cell industry chain. In addition, the Group will also position itself in other quality projects or businesses with development prospects to build a business position with cell industry as its core and synergistic development with niche directions. This would improve the Group's operating conditions, optimise business structure, expand new sources of earnings growth, and drive sustainable and quality development of the Group's business. We will continue to strive in searching for business opportunities in our efforts to create shareholder value.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 30 June 2019, none of the Directors or chief executives of the Company had any interests or short positions 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

were 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 which were required, pursuant to section 352 of SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares

So far as the Directors are aware, as at 30 June 2019, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and any Associated Corporations" above, the following person has an interest or short position in the Shares or underlying Shares which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the Shares are listed as follows:

Long Positions in the Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
HK Gaoqi	Beneficial Owner	220,475,000	29.69%

Note: The Company's Director, Mr. Xu Jianchun is also a director of HK Gaoqi and holds less than 30% interests of its issued share capital.

Saved as disclosed above, as at 30 June 2019, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and any Associated Corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying Shares which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons, who, as at 30 June 2019, were entitled to exercise or control the exercise of 5% or more of the voting power at the general meeting of the Company and were also, a practicable matter, able to direct or influence the management of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation“ above and “Share Option Scheme” below, at no time during the Period was the Company, its holding company, or any of its subsidiaries or associated corporations, a party to any arrangement that would enable the Directors and chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the substantial shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) has interests in any business apart from the Group’s businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Period and up to the date of this announcement.

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 Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 24 August 2009 (the “Date of Adoption”) (that is from 24 August 2009 to 23 August 2019), after which period no further

options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all aspect. 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 employees; (ii) any executive Directors; (iii) any non-executive Directors (including, without limitation, independent non-executive Directors) of the Company and/or any of its subsidiaries; and (iv) any consultants, advisers, agents, partners or joint-venture partners of the Company and/or any of its subsidiaries who, in the absolute discretion of the Board (the “Eligible Participants”), has contributed or may contribute to the Group.
- (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 maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of shareholders’ approval, in aggregate exceed 10% of the total number of Shares in issue as at the Date of Adoption of the Share Option Scheme. The Board may seek approval by the shareholders of the Company at general meeting to refresh the 10% limit. However, the total number of Shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances must not exceed 10% of the total number of Shares in issue as at the date of approval of the refreshment of the 10% limit.

On 27 May 2010, the shareholders of the Company had approved the refreshment of 10% limit of the grant of options under the Share Option Scheme. The total number of Shares available for issue under the Share Option Scheme is 74,250,000 Shares, representing 10% of the total number of Shares in issue as at the date of this announcement.

- (e) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time and the maximum number of Shares in respect of which options may be granted to each Eligible Participant shall not exceed 1% of the total number of Shares in issue for the time being in any 12-month period up to and including the date of offer of the grant.

- (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 Date of Adoption of the Share Option Scheme or the termination of the scheme. An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible 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 HKD10 by way of consideration for the grant thereof is received by the Company, within such time as may be specified in the offer (which shall not be later than 30 days from the date of offer).
- (g) The exercisable period of any option granted under the Share Option Scheme should be determined by the Board upon grant of the share option but in any event should not exceed 10 years from the date of grant of the share option.
- (h) An option shall be exercisable in whole or in part in the circumstances by giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is so exercised. Each such notice must be accompanied by a 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 movements during the Period under the Share Option Scheme are as follows:

Name/category of participants	Date of grant of share option	Exercise price per Share	Exercise period	Number of share options		
				Balance as at 1 January 2019	Granted during the Period	Balance as at 30 June 2019
Continuous contract employees	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	6,332,000	–	6,332,000
Consultants	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	41,900,000	–	41,900,000
				<u>48,232,000</u>	<u>–</u>	<u>48,232,000</u>

For the options granted in 2010, they are exercisable starting half year from the grant date. The exercisable period is 10 years from the date of grant of the share option.

During the Period, no share option was lapsed, cancelled, exercised and granted.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, 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 Period except for the code provisions A.6.7 of the Code, as set out below.

Under the code provision A.6.7 of the Code, independent directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the Period, certain Directors were absent for other business engagement and thus, were not able to attend the general meetings in 2019, but they have appointed the chairman of the Board or other member of the committees as their representative at the general meetings to answer questions of the shareholders of the Company. The Company will put its most effort in encouraging and ensuring the Directors including executive and non-executive Directors to attend the general meetings in the future.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors during the Period.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information subsequent to the date of annual report for the year ended 31 December 2018, as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules, are set out below:

Name of Director	Details of Changes
Mr. CHAI Chung Wai	Resigned as an independent non-executive director and ceased to act as chairman and member of the audit committee and members of the nomination committee and remuneration committee of Asia Coal Limited, a company previously listed on the Main Board of the Stock Exchange (Stock Code: 835), with effect from 6 June 2019.

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. As at 30 June 2019, the Audit Committee comprises three independent non-executive Directors, namely Mr. Sun Fei (chairman of the Audit Committee), Mr. Chai Chung Wai, and Mr. Wang Jun.

The Audit Committee has reviewed the financial statements of the Group for the six months ended 30 June 2019 pursuant to the relevant provisions contained in the code provisions 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
XU Jianchun

Chairman and Executive Director

14 August 2019

As at the date hereof, the Board comprises Mr. XU Jianchun and Mr. LIU Tien-Tsai being executive Directors; Dr. XU Qiang being non-executive Director; and Mr. CHAI Chung Wai, Mr. SUN Fei, and Mr. WANG Jun being independent non-executive Directors.

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>.