



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 2020**

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

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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 or deceptive; 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 (the “Board“) of Directors (the “Director(s)”) is here to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period”) together with the comparative unaudited condensed consolidated figures for the corresponding period in 2019 (the “Prior Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	16,311	14,430	28,985	31,705
Cost of sales		(7,076)	(7,778)	(13,361)	(15,658)
Gross profit		9,235	6,652	15,624	16,047
Other gains, net	5	782	574	1,198	1,041
Selling expenses		(1,202)	(2,938)	(3,107)	(5,635)
Administrative expenses		(4,688)	(4,428)	(10,844)	(9,484)
Other operating expenses		(1)	(540)	(71)	(540)
Profit/(loss) from operations		4,126	(680)	2,800	1,429
Finance costs	6(a)	(610)	(1,158)	(1,348)	(1,228)
Profit/(loss) before taxation	6	3,516	(1,838)	1,452	201
Income tax expenses	7	(830)	(131)	(940)	(573)
Profit/(loss) for the period		2,686	(1,969)	512	(372)
Other comprehensive income/(expense) 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	—	43
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		401	(766)	2,421	951
Other comprehensive income/(expense) for the period, net of income tax		401	(723)	2,421	994
Total comprehensive income/(expense) for the period, net of income tax		3,087	(2,692)	2,933	622

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) attributable to:					
Owners of the Company		2,997	(1,307)	888	242
Non-controlling interests		(311)	(662)	(376)	(614)
		<u>2,686</u>	<u>(1,969)</u>	<u>512</u>	<u>(372)</u>
Total comprehensive income/(expense) attributable to:					
Owners of the Company		3,487	(2,681)	3,321	752
Non-controlling interests		(400)	(11)	(388)	(130)
		<u>3,087</u>	<u>(2,692)</u>	<u>2,933</u>	<u>622</u>
Earnings/(loss) per share					
Basic and diluted (RMB cents)	8	<u>0.40</u>	<u>(0.18)</u>	<u>0.12</u>	<u>0.03</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	32,480	32,417
Right-of-use assets		34,119	36,528
Investment properties	11	6,803	6,622
Intangible assets		2	2
Deposits for lease of funeral parlours and funeral services centres	13	1,000	1,000
		<u>74,404</u>	<u>76,569</u>
CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss ("FVTPL")	12	36,560	38,336
Development and formation costs		5,292	5,292
Inventories		1,039	966
Trade and other receivables	13	52,341	52,778
Cash and bank balances		129,024	119,216
		<u>224,256</u>	<u>216,588</u>
CURRENT LIABILITIES			
Trade and other payables	14	16,132	17,660
Contract liabilities		99,758	97,901
Lease liabilities		3,856	3,796
Bank borrowings		1,343	1,154
Taxation liabilities		3,936	4,002
Amount due to a director		815	789
Amount due to an ultimate holding company	17(e)	13,036	8,664
Provisions		3,152	3,044
		<u>(142,028)</u>	<u>(137,010)</u>
NET CURRENT ASSETS		<u>82,228</u>	<u>79,578</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>156,632</u>	<u>156,147</u>

	At 30 June 2020 <i>Notes</i> RMB'000 (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	29,103	31,064
Contract liabilities	199	199
Bank borrowings	6,748	7,235
	<u>(36,050)</u>	<u>(38,498)</u>
NET ASSETS	<u>120,582</u>	<u>117,649</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	69,218	69,218
Reserves	<u>60,132</u>	<u>56,811</u>
	129,350	126,029
Non-controlling interests	<u>(8,768)</u>	<u>(8,380)</u>
TOTAL EQUITY	<u>120,582</u>	<u>117,649</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital	Share premium	Merger reserve	Statutory reserve	Statutory surplus reserve	Properties revaluation reserve	Foreign currency translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018 (Audited)												
and 1 January 2019 (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	–	–	–	–	–	43	–	–	–	43	–	43
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	467	–	–	467	484	951
Other comprehensive income	–	–	–	–	–	43	467	–	–	510	484	994
Total comprehensive income/(expense) 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
At 31 December 2019 (Audited)												
and 1 January 2020 (Unaudited)	69,218	220,633	(16,261)	790	1,550	2,998	(15,242)	7,027	(144,684)	126,029	(8,380)	117,649
Profit/(loss) for the period	–	–	–	–	–	–	–	–	888	888	(376)	512
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	2,433	–	–	2,433	(12)	2,421
Other comprehensive income/(expense)	–	–	–	–	–	–	2,433	–	–	2,433	(12)	2,421
Total comprehensive income/(expense) for the period	–	–	–	–	–	–	2,433	–	888	3,321	(388)	2,933
Transfer of statutory reserve and statutory surplus reserve	–	–	–	6,213	2,335	–	–	–	(8,548)	–	–	–
Lapse of share option	–	–	–	–	–	–	–	(7,027)	7,027	–	–	–
At 30 June 2020 (Unaudited)	69,218	220,633	(16,261)	7,003	3,885	2,998	(12,809)	–	(145,317)	129,350	(8,768)	120,582

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	<u>9,156</u>	<u>(2,565)</u>
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	<u>(46)</u>	<u>14,146</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(3,833)</u>	<u>(355)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,277	11,226
CASH AND CASH EQUIVALENTS AT 1 JANUARY	119,216	103,467
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	<u>4,531</u>	<u>1,071</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>129,024</u>	<u>115,764</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>129,024</u>	<u>115,764</u>

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 ultimate controlling party is Mr. Xu Jianchun.

These condensed unaudited consolidated interim financial statements for the six months ended 30 June 2020 comprise the financial statements of the Group.

The Company is principally engaged in investment holding. The subsidiaries are mainly engaged in the provision of funeral and related services in the People's Republic of China ("PRC"), Taiwan and Hong Kong Special Administrative Region, the PRC ("Hong Kong"), sale of burial plots and tombstones and provision of cemetery maintenance services in Socialist Republic of Vietnam ("Vietnam") and provision of elderly care and related consultancy services in Taiwan. The Company and its subsidiaries are herein collectively referred to as the "Group".

The addresses 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 601, 6/F., Ovest, No. 77 Wing Lok Street, Sheung Wan, Hong Kong respectively.

These condensed unaudited consolidated interim financial statements have been approved for issue by the Board on 14 August 2020.

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 2019 (the "2019 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 2019 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 2020. 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 2019 Annual Financial Statements.

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 2019 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.

These unaudited condensed consolidated accounts have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

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 these condensed unaudited consolidated interim financial statement.

HKAS1 and HKAS 8 (Amendment)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

Except as described below, the Group concluded that the application of the Amendments to Reference to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current period has had no material impact on the amounts reported and/or disclosures set out in these condensed unaudited consolidated interim financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on these condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3.2 New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2020 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Conceptual Framework for Financial Reporting	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 Cycle	1 January 2022
HKFRS 17	Insurance contracts	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards and preliminary results showed that their application are not expected to have material impact on the financial performance and the financial position of the Group.

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 during the Period and the Prior Period are as follows:

	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Funeral services and cremation services provided in funeral parlors and funeral services centres under Group's management	27,535	25,746
Funeral arrangement and related consulting services	1,119	5,483
Sales of burial plots and tombstones	260	175
Sales of stem cells and immunocytes	71	301
	<u>28,985</u>	<u>31,705</u>

(b) 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 Executive Directors considered that it is the best interest of the Company to concentrate the resources in its funeral services and stem cells and immunocytes business, and decided to temporarily suspend the activities of the elderly care services segment. As such, the financial performance of the elderly care services segment was no longer presented separately and therefore grouped as "Unallocated". The comparative figures of the "elderly services segment" have been reclassified and grouped as "Unallocated" to comfort with current period's presentation.

The reportable operating segments derive their revenue primarily from funeral services and stem cells and immunocytes business for the Period and the Prior Period.

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
- Stem cells and immunocytes business: Sales of stem cells and immunocytes, and biotechnical machinery.

- (A) The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2020 and 2019 is as follows:

Segment results, assets and liabilities

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

Segment assets include all tangible and intangible assets, and current assets with the exception of corporate assets. Segment liabilities include trade and other payables, contract liabilities, lease liabilities, provisions, amounts due to a director and an ultimate holding company and taxation liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

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

Segment results represent the earnings and loss of each segment without allocation of fair value gains on investment properties, other gains, net, central administration costs, finance costs and income tax expenses. 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					
	2020			2019		
	Stem cells and immunocytes			Stem cells and immunocytes		
	Funeral services	business	Total	Funeral services	business	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>
	(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	27,535	–	27,535	25,746	–	25,746
– Funeral arrangement and consultancy services	1,119	–	1,119	5,483	–	5,483
– Sales of burial plots and tombstones	260	–	260	175	–	175
– Sales of stem cells and immunocytes	–	71	71	–	301	301
	<u>28,914</u>	<u>71</u>	<u>28,985</u>	<u>31,404</u>	<u>301</u>	<u>31,705</u>
Segment operating profit/(loss)	<u>3,304</u>	<u>(111)</u>	<u>3,193</u>	<u>2,989</u>	<u>(13)</u>	<u>2,976</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 2020 and 31 December 2019:

	As at 30 June 2020			As at 31 December 2019		
	Funeral services	Stem cells and immunocytes business	Total	Funeral services	Stem cells and immunocytes business	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>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Segment assets	<u>274,613</u>	<u>4,887</u>	<u>279,500</u>	<u>270,638</u>	<u>3,707</u>	<u>274,345</u>
Segment liabilities	<u>159,219</u>	<u>4,582</u>	<u>163,801</u>	<u>159,767</u>	<u>3,285</u>	<u>163,052</u>

Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Total reportable segment profit derived from Group's external customers	3,193	2,976
Other gains, net	1,198	1,041
Finance costs	(1,348)	(1,228)
Unallocated head office and corporate expenses	(1,591)	(2,588)
Consolidated profit before taxation	<u>1,452</u>	<u>201</u>

(B) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets, major products and services lines and timing of revenue recognition.

For the six months ended 30 June 2020

	Funeral services <i>RMB'000</i> (Unaudited)	Stem cells and immunocytes business <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Primary geographical markets			
The PRC	27,535	71	27,606
Taiwan	798	–	798
Hong Kong	321	–	321
Vietnam	260	–	260
	<u>28,914</u>	<u>71</u>	<u>28,985</u>
Major products and services			
Funeral services and cremation services provided in funeral parlours and funeral service centres under the Group's management	27,535	–	27,535
Funeral arrangement and consultancy services	1,119	–	1,119
Sales of burial plots and tombstones	260	–	260
Sales of stem cells and immunocytes	–	71	71
	<u>28,914</u>	<u>71</u>	<u>28,985</u>
Timing of revenue recognition			
At a point in time	260	–	260
Transferred over time	28,654	71	28,725
	<u>28,914</u>	<u>71</u>	<u>28,985</u>

For the six months ended 30 June 2019

	Funeral services <i>RMB'000</i> (Unaudited)	Stem cells and immunocytes business <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Primary geographical markets			
The PRC	29,657	301	29,958
Taiwan	1,308	—	1,308
Hong Kong	264	—	264
Vietnam	175	—	175
	<u>31,404</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>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>301</u>	<u>31,705</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, 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)	
	Six months ended 30 June		As at 30 June	As at 31 December
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The PRC	27,606	29,958	42,855	45,387
Taiwan	798	1,308	31,484	30,923
Hong Kong	321	264	2	196
Vietnam	260	175	63	63
	28,985	31,705	74,404	76,569

5. OTHER GAINS, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	32	287
Sundry income	578	35
Rental income from investment properties	591	593
(Losses)/gains on disposal of property, plant and equipment	(2)	83
Net exchange (losses)/gains	(1)	3
Net gains on terminated and lapsed funeral services deeds	–	29
Fair value gains on investment properties	–	11
	1,198	1,041

6. PROFIT/(LOSS) BEFORE TAXATION

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

		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(a) Finance costs			
Effective interest on lease liabilities		1,170	1,040
Interest on bank borrowings		178	188
Total interest expenses on financial liabilities not at FVTPL		<u>1,348</u>	<u>1,228</u>
(b) Staff costs (including Directors' emoluments)			
Salaries, wages and other benefits		8,516	8,449
Contributions to defined contribution retirement plans		1,124	1,134
		<u>9,640</u>	<u>9,583</u>
(c) Depreciation			
Right-of-use assets		2,341	1,984
Own assets		914	995
		<u>3,255</u>	<u>2,979</u>
(d) Other items			
Amortisation of intangible assets		–	118
Cost of inventories		3,345	4,054
Gross rental income from investment properties		(591)	(593)
Operating lease charges for property, plant and equipment: minimum lease payments			
– lease of plant and equipment		–	4
		<u>–</u>	<u>4</u>

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax (“EIT”) (Note (c))	940	573
	<u>940</u>	<u>573</u>

Notes:

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for both the Period and the Prior Period.
- (b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands, Samoa and the British Virgin Islands for both the Period and the Prior Period.
- (c) The subsidiaries operating in the PRC are subject to EIT at 25% (The Prior Period: 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% (The Prior Period: 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 Period, Chongqing Xizhou is subject to EIT at 15% (The Prior Period: 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 (“BLI”), both indirect subsidiaries of the Company, are subject to Taiwan Enterprise Income Tax at 17% (The Prior Period: 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 have no assessable profits for the Period and the Prior Period.
- (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% (The Prior Period: 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 both the Period and the Prior Period.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic (loss)/earnings per share for the three months and six months ended 30 June 2020 are as follow:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) attributable to the owners of the Company (RMB'000)	<u>2,997</u>	<u>(1,307)</u>	<u>888</u>	<u>242</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 earnings/(loss) per share (RMB cents)	<u><u>0.40</u></u>	<u><u>(0.18)</u></u>	<u><u>0.12</u></u>	<u><u>0.03</u></u>

(b) Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the three months and six months ended 30 June 2020 and 2019 as the impact of the share options had anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

9. DIVIDENDS

The Directors do not recommend payment of interim dividend for both the Period and the Prior Period.

10. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the Period, the Group acquired items of property, plant and equipment with a cost of approximately RMB100,000 (The Prior Period: RMB114,000). Items of property, plant and equipment with carrying amounts of approximately RMB23,000 were disposed of during the Period (The Prior Period: RMB54,000).

(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 2020, with reference to recent market transactions for similar properties; and at 31 December 2019, with reference to the valuation reports prepared by an independent firm of surveyors.

During the Period, the revaluation surplus of nil (The Prior Period: RMB43,000) have been recognised in other comprehensive income/(expense) 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 2020, with reference to recent market transactions for similar properties; and at 31 December 2019, with reference to the valuation reports prepared by an independent firm of surveyors.

12. FINANCIAL ASSETS DESIGNATED AS AT FVTPL

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Mutual funds/unit trusts (established in Taiwan), at fair value (<i>Note</i>)	<u>36,560</u>	<u>38,336</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 RMB42,000 for the Period (The Prior Period: RMB540,000). The net realised and unrealised loss of the above financial assets are recorded in “other operating expenses” in the condensed unaudited 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 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables	1,982	2,716
Less: Allowance for expected credit losses ("ECLs") on trade receivables (<i>note (a)</i>)	<u>(383)</u>	<u>(383)</u>
Trade receivables, net (<i>note (c)</i>)	<u>1,599</u>	<u>2,333</u>
Other receivables	10,420	14,422
Less: Allowance for ECLs on other receivables (<i>note (b)</i>)	<u>(3,993)</u>	<u>(3,993)</u>
Other receivables, net	<u>6,427</u>	<u>10,429</u>
Trade and other receivables	8,026	12,762
Deposits and prepayments	<u>45,315</u>	<u>41,016</u>
	<u>53,341</u>	<u>53,778</u>
Representing:		
Current	52,341	52,778
Non-current	<u>1,000</u>	<u>1,000</u>
	<u>53,341</u>	<u>53,778</u>

Note:

- (a) As at 30 June 2020, ECLs of approximately RMB383,000 (31 December 2019: RMB383,000) were made against the gross amount of trade receivables.

Movements in the ECLs in respect of trade receivables during the six months ended 30 June 2020 and 2019 are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Balance at 1 January (Audited)	383	—
ECLs recognised during the period	<u>—</u>	<u>—</u>
Balance at 30 June (Unaudited)	<u>383</u>	<u>—</u>

- (b) As at 30 June 2020, ECLs of approximately RMB3,993,000 (31 December 2019: RMB3,993,000) were made against the gross amount of other receivables.

Movements in the ECLs in respect of other receivables during the six months ended 30 June 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January (Audited)	3,993	3,156
ECLs recognised during the period	<u>—</u>	<u>—</u>
Balance at 30 June (Unaudited)	<u>3,993</u>	<u>3,156</u>

- (c) Ageing analysis of trade receivables, based on the date of sales of goods or service rendered, as at 30 June 2020 and 31 December 2019 is as below:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
0 to 180 days	1,114	2,137
181 to 365 days	32	65
1 year to 2 years	<u>453</u>	<u>131</u>
	<u>1,599</u>	<u>2,333</u>

The average credit period on sales, except for sale of burial plots, granted to customers is 45 days (2019: 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 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables (<i>Note</i>)	1,691	3,025
Accruals and other payables	<u>14,441</u>	<u>14,635</u>
	<u><u>16,132</u></u>	<u><u>17,660</u></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 2020 and 31 December 2019:

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
0 to 30 days	372	524
31 days to 90 days	508	1,678
Over 90 days	<u>811</u>	<u>823</u>
	<u><u>1,691</u></u>	<u><u>3,025</u></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 2020		
Fair value at 30 June 2020 <i>RMB'000</i> (Unaudited)		Level 1 <i>RMB'000</i> (Unaudited)	Level 2 <i>RMB'000</i> (Unaudited)	Level 3 <i>RMB'000</i> (Unaudited)
Recurring fair value measurement				
Financial assets:				
Financial assets designated as at FVTPL				
– Mutual funds/unit trusts	36,560	36,560	–	–
		Fair value measurements as at 31 December 2019		
Fair value at 31 December 2019 <i>RMB'000</i> (Audited)		Level 1 <i>RMB'000</i> (Audited)	Level 2 <i>RMB'000</i> (Audited)	Level 3 <i>RMB'000</i> (Audited)
Recurring fair value measurement				
Financial assets:				
Financial assets designated as at FVTPL				
– Mutual funds/unit trusts	38,336	38,336	–	–

During the Period and the Prior Period, there were no transfer between instrument in Level 1 and Level 2 or transfers into or out of Level 3. 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 2019 and 30 June 2020.

16. CAPITAL COMMITMENTS

As at 30 June 2020 and 31 December 2019, the Group did not have any capital commitments.

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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	1,505	1,598
Post-employment benefits	7	7
	<u>1,512</u>	<u>1,605</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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	112	124
Post-employment benefits	4	4
	<u>116</u>	<u>128</u>

(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 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 RMB35,356,000 (equivalent to United State Dollar (“USD”) 5,000,000) (31 December 2019: RMB34,841,000 (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 2020.
- (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 RMB2,732,000 (31 December 2019: RMB2,584,000) is given by Mr. Liu during the six months ended 30 June 2020.
- (ix) The Group, through its wholly owned subsidiary, Zhongke Zhenqi Biotechnology (Guangdong) Co., Ltd.* (中科臻祺生物科技(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 2020, approximately RMB71,000 (2019: 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 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Mr. Liu Ting Hsuan Close family member of key management personnel	103	107

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

(e) Amount due to an ultimate holding company

Particular of amount due to an ultimate holding company is disclosed as follows:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Hong Kong Gaoqi Biological Technology Company Limited	13,036	8,664

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 June 2020 (the “Period”), and the corresponding period in 2019 (the “Prior Period”), the amount and percentage of the revenue derived from respective geographical segments were as follow:

	Six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
The People's Republic of China (the “PRC”)	27,606	95.2	29,958	94.5
Taiwan	798	2.8	1,308	4.1
Hong Kong Special Administrative Region of the PRC (“Hong Kong”)	321	1.1	264	0.8
Socialist Republic of Vietnam (“Vietnam”)	260	0.9	175	0.6
Total	<u>28,985</u>	<u>100.0</u>	<u>31,705</u>	<u>100.0</u>

The PRC

Business in the PRC continues to be the major source of income of the operations of the Group during the Period. The Group's revenue derived from the PRC market was approximately RMB27,606,000 for the Period (The Prior Period: RMB29,958,000), representing a decrease of approximately 7.9% from 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 in Chongqing. The Group also carried out the sales of the stem cell and immunocytes under an agency agreement in Guangzhou city, Guangdong province.

The provision of funeral, cremation and cemetery services business and sales of the stem cell and immunocytes contributed approximately RMB27,535,000 (The Prior Period: RMB29,657,000) and RMB71,000 (The Prior Period: RMB301,000), respectively, of the revenue in the PRC during the Period.

In response to the coronavirus disease (“Covid-19”) pandemic, the Chinese government has adopted control measures including business shutdown, traffic control and personnel isolation, the Group's sales of the stem cell and immunocytes business experienced temporarily shut-down during the Period, causing the drastic drop in revenue from such business segment.

On the other hand, in light of the business nature of the provision of funeral, cremation and cemetery services segment, the Covid-19 pandemic's impact was less severed than expected and only recorded an approximately 7.2% year-on-year decrease.

Taiwan and Hong Kong

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 the deed holders and non-funeral services deed holders, which are accounted for by the Group as revenue. The Group also carries out sales of advanced biotechnical machinery in Hong Kong during the Period.

Revenue derived from the Taiwan market was approximately RMB798,000 for the Period (The Prior Period: RMB1,308,000), representing a decrease of approximately 39.0% from the Prior Period. On the other hand, revenue derived from the Hong Kong market was approximately RMB321,000 for the Period (The Prior Period: RMB264,000), representing an increase of approximately 21.6% from the Prior Period.

Due to the Covid-19 pandemic, the government of Taiwan declared mandated closures and travel restrictions during the Period. As the demand of the Group's business in Taiwan mainly derived locally, the travel restrictions did not have much significantly disruption to the business but the mandated closures inevitably had an adverse impact on the operation of the business locally, and resulted in an approximately 39.0%, decrease in the revenue as compared with the Prior Period.

On the other hand, as to the foreign governments requested biotechnical companies to give priority to the production of epidemic prevention supplies in order to cope with the Covid-19 pandemic, the Group's sales of biotechnical machinery business was deferred because overseas suppliers of this business segment were unable to produce and deliver on time and accept new orders, however, the funeral arrangement and related consultancy services recorded an increase of approximately RMB57,000 in revenue during the Period, resulting in an year on year increase of approximately 21.6% in revenue in Hong Kong market.

Vietnam

The Group's revenue derived from the sales of burial plots in Vietnam was approximately RMB260,000 for the Period (The Prior Period: RMB175,000), representing an increase of approximately 48.6% from the Prior Period.

Financial Review

For the Period, the Group's revenue was approximately RMB28,985,000 (The Prior Period: RMB31,705,000), representing a decrease of approximately 8.6% for the Prior Period. The decrease was mainly resulted from the mandated closures implemented by governments across different countries.

Cost of sales for the Current Period was approximately RMB13,361,000 (The Prior Period: RMB15,658,000), decreased by approximately 14.7% compared with the Prior Period. The decrease in cost of sales was mainly resulted from the decrease in the revenue of all business segments of the Group.

The Group recorded other gains of approximately RMB1,198,000 and represented an increase of approximately 15.1% as compared with the Prior Period of approximately RMB1,041,000.

Compared with the Prior Period, selling expenses for the Period decreased by approximately 44.9% to approximately RMB3,107,000 as the result of the reduction of sales activities after the outbreak of Covid-19 pandemic.

Administrative expenses, which accounted for approximately 37.4% (The Prior Period: 29.9%) of revenue, increased by approximately 14.3% to approximately RMB10,844,000 (The Prior Period: RMB9,484,000) due to the general increase in the salary level across different geographical segments 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 RMB888,000 (the Prior Period: RMB242,000). Earnings per share for the Period was approximately RMB0.12 cents (The Prior Period: RMB0.03 cents).

Since January 2020, the outbreak of Covid-19 pandemic had impact on the global business environment. Up to the date of this announcement, Covid-19 pandemic has not caused material financial difficulties to the Group. The Group remained in a healthy and sound liquidity position as at 30 June 2020.

Depending on the development and spread of Covid-19 pandemic, subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results for the nine months ended 30 September 2020 of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will keep continuous attention on the situation of Covid-19 pandemic and react actively to its impact on the financial position and operating results of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintains a stable financial position. As at 30 June 2020, the Group had cash and bank balances of approximately RMB129,024,000 (31 December 2019: RMB119,216,000), while current and non-current bank borrowings were approximately RMB1,343,000 and approximately RMB6,748,000 respectively (31 December 2019: RMB1,154,000 and RMB7,235,000 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 2020, the gearing ratio representing the ratio of total borrowing to the total assets of the Group was approximately 2.7% (31 December 2019: 2.9%).

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 2020, 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 acquisitions and disposal of investments during the Period.

CHARGE ON GROUP ASSETS

As at 30 June 2020, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings was approximately RMB21,071,000 (31 December 2019: RMB19,932,000).

THE NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2020, the Group employed 188 employees (31 December 2019: 188 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 both 30 June 2020 and 31 December 2019, the Group did not have any contingent liabilities.

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. On the other hand, with increasing global investment in biotechnology, and the increasing demand for medical and health services from the ageing population, the global biotech industry is rapidly growing. The Group commenced a diverse development strategy and actively positioned itself in the cells industry during the Current Period. In order to enhance the Group's research ability and core competitiveness, the Group made its step into the business of research and development of cell cultivation through equity investment in a joint venture company to extend its business into the upstream of the cells industrial chain in 2019, thus forming a synergistic business system.

Moreover, by fully utilising the strengths of the Chinese market and resources, the Group continued strengthening its cooperation with biotech companies in foreign countries, and is responsible for selling advanced biotechnical equipment in the Greater China region as an agent. This will produce a positive effect on the Group's operation results, and will also contribute to the development of the Group's global business in the future.

Since January 2020, the outbreak of Covid-19 pandemic has impact on the global business environment. The spread of the Covid-19 pandemic around the world has threatened the life and health of billions of people, and led to temporary suspension of businesses in the commercial and industrial sectors of many countries, stirring up volatility in financial markets. It is difficult to judge how far-reaching the impacts of this pandemic of the century will have on the global economy. Up to the date of this announcement, Covid-19 pandemic has not caused material financial difficulties to the Group.

While the Group will keep continuous attention on the situation of Covid-19 pandemic and react actively to its impact on the financial position and operating results of the Group, crisis always brings opportunities. Looking forward, the Group will keep ploughing the funeral services business while continuing to develop its cells business. It will continue to consolidate its new technologies, research talents and exquisite projects through different means such as collaborative investment, mergers and restructuring to further deepen its distribution of the cells industrial chain in the industry. In addition, the Group will also explore the possibility of developing other quality projects or businesses with promising prospects to formulate a business configuration with cell industry as its core and supplemented by the coordinated development of other segmented directions. This would improve the Group's operating conditions, optimise business structure, exploit new earnings growth points, and drive sustainable and quality development of the Group's business.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2020, none of the Directors or chief executives of the Company had any interests or short positions in the shares (the "Shares"), underlying shares (the "Underlying Shares") and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under 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 the SFO (including any interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the 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 2020, 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 the Shares, Underlying Shares and Debentures of the Company or its Associated Corporation" 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 is listed as follows:

Aggregate 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
Hong Kong Gaoqi Biological Technology Company Limited ("HK Gaoqi")	Beneficial Owner (Note)	220,475,000	29.69%

Note: The Company's Director Mr. Xu Jianchun is also a director of HK Gaoqi in which he holds 25% equity interest.

Saved as disclosed above, as at 30 June 2020, 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 the Shares, Underlying Shares and Debentures of the Company or Its 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were expected, directly or indirectly, to be interested in 5% or more of the Shares.

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 its Associated Corporation” above, 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). The Share Option Scheme has been expired on 23 August 2019 and so no further options can 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 30 June 2020
				Balance as at 1 January 2020	Granted during the Period	Lapsed during the Period	
Continuous contract employees	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	6,332,000	–	6,332,000	0
Consultants	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	41,900,000	–	41,900,000	0
				<u>48,232,000</u>	<u>–</u>	<u>48,232,000</u>	<u>0</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, 48,232,000 share options were lapsed and no share option was 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 Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 to the GEM Listing Rules (the "Code"). The principles adopted by the Company emphasis a quality board, transparency and accountability to the shareholders of the Company. In the opinion of the Board, the Company has complied with the code provisions set out in the Code for the Period except for the code provisions A.6.7 and E.1.2 of the Code, as set out below.

Under the code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, under the code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Certain Directors, for the time when the annual general meeting of the Company held on 10 August 2020 ("2020 AGM"), were not able to come to Hong Kong to attend the 2020 AGM because of the outbreak of the COVID-19 in Hong Kong. In this regard, the compliance officer (the "Compliance Officer") and company secretary (the "Company Secretary") of the Company had reminded the relevant Directors to attend general meetings of the Company in future for compliance of code provisions A.6.7 and E.1.2 as set out in the Code.

CHANGES IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, there has no change in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules subsequent to the date of annual report for the year ended 31 December 2019.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct throughout the Period.

AUDIT COMMITTEE

The Company has established an audit committee (the “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 2020, 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 unaudited condensed consolidated financial statements of the Group for the Period pursuant to the relevant provisions contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosures have been made in respect thereof.

NON-COMPLIANCE WITH FINANCIAL REPORTING PROVISIONS OF THE GEM LISTING RULES

Due to the travel restriction in force in Taiwan and Vietnam to combat the outbreak of COVID-19, the audit of the financial statements of the Group for the year ended 31 December 2019 has been affected. The Company was unable to publish and despatch the audited annual results for the financial year ended 31 December 2019 (the “2019 Annual Results”) and the related annual report for the year ended 31 December 2019 (the “2019 Annual Report”) on or before 31 March 2020 as required by the GEM Listing Rules. Such delay has constituted non-compliance with Rules 18.03 and 18.49 of the GEM Listing Rules. However, in accordance with the FURTHER GUIDANCE ON THE JOINT STATEMENT IN RELATION TO RESULTS ANNOUNCEMENTS IN LIGHT OF THE COVID-19 PANDEMIC released on 16 March 2020 (“Further Guidance”) by The Securities and Futures Commission and the Stock Exchange, an issuer may defer the publication of the annual report initially for up to 60 days from the date of the Further Guidance if, among other things, on or before 15 May 2020. The Company has published its preliminary 2019 Annual Results without its auditors’ agreement pursuant to the Further Guidance on 31 March 2020. The supplemental announcements on the 2019 Annual Results have been published on 22 June 2020 and 8 July 2020 respectively and the 2019 Annual Report has been published and delivered on 30 June 2020.

By order of the Board
Sino-Life Group Limited
XU Jianchun
Chairman and Executive Director

14 August 2020

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>.