



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 2023**

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 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 2023 (the “Period”) together with the comparative unaudited condensed consolidated figures for the corresponding period in 2022 (the “Prior Period”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	15,568	16,367	40,831	36,947
Cost of sales and services rendered		(7,567)	(7,973)	(23,835)	(17,136)
Gross profit		8,001	8,394	16,996	19,811
Fair value (loss)/gain on financial assets measured at fair value through profit or loss (“FVTPL”)		(849)	2,130	(16)	582
Other income and other net gains	5	432	864	2,462	1,508
Selling expenses		(209)	(1,524)	(1,447)	(2,938)
Administrative expenses		(12,960)	(12,634)	(20,232)	(19,139)
Other operating expenses		–	(277)	(4)	(278)
Loss from operations		(5,585)	(3,047)	(2,241)	(454)
Finance costs	6(a)	(409)	(482)	(943)	(982)
Loss before taxation	6	(5,994)	(3,529)	(3,184)	(1,436)
Income tax expense	7	(451)	(4,249)	(1,377)	(5,024)
Loss for the period		(6,445)	(7,778)	(4,561)	(6,460)
Other comprehensive income/(expense) for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		810	357	2,646	(980)
Other comprehensive income/(expense) for the period, net of income tax		810	357	2,646	(980)
Total comprehensive expense for the period, net of income tax		(5,635)	(7,421)	(1,915)	(7,440)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to:				
Owners of the Company	(5,748)	(7,084)	(3,791)	(6,362)
Non-controlling interests	(697)	(694)	(770)	(98)
	<u>(6,445)</u>	<u>(7,778)</u>	<u>(4,561)</u>	<u>(6,460)</u>
Total comprehensive expense attributable to:				
Owners of the Company	(4,363)	(6,402)	(1,275)	(6,906)
Non-controlling interests	(1,272)	(1,019)	(640)	(534)
	<u>(5,635)</u>	<u>(7,421)</u>	<u>(1,915)</u>	<u>(7,440)</u>
Loss per share				
Basic and diluted (<i>RMB cents</i>)	8 <u>(0.77)</u>	<u>(0.95)</u>	8 <u>(0.51)</u>	<u>(0.86)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	33,529	31,588
Right-of-use assets		20,605	22,918
Investment properties	11	6,389	6,132
Intangible assets		725	1,158
Interests in associates		–	–
Goodwill		–	–
Other receivables and deposits paid	13	943	915
Deposits for hire of funeral parlours and funeral services centres	13	1,000	1,000
		63,191	63,711
CURRENT ASSETS			
Financial assets measured at FVTPL	12	57,694	58,777
Development and formation costs		4,801	4,657
Inventories		1,754	1,617
Trade and other receivables and deposits paid	13	26,826	34,201
Income tax receivables		–	14
Time deposits with maturity over three months		7,233	9,334
Cash and bank balances		120,329	112,477
		218,637	221,077
CURRENT LIABILITIES			
Trade and other payables and deposits received	14	14,657	12,971
Contract liabilities		90,404	89,660
Lease liabilities		4,942	4,757
Bank borrowings		1,248	1,198
Income tax liabilities		3,433	5,056
Amounts due to directors	18(e)	4,045	2,756
Amount due to a shareholder	18(f)	10,801	10,325
Provisions		1,456	1,380
		130,986	128,103
NET CURRENT ASSETS		87,651	92,974
TOTAL ASSETS LESS CURRENT LIABILITIES		150,842	156,685

		At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES			
Contract liabilities		472	456
Other payables and deposits received	<i>14</i>	–	1,135
Amount due to a shareholder	<i>18(f)</i>	2,437	2,330
Lease liabilities		15,854	18,357
Bank borrowings		3,177	3,590
		<u>21,940</u>	<u>25,868</u>
NET ASSETS		<u>128,902</u>	<u>130,817</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		69,218	69,218
Reserves		42,725	44,000
		<u>111,943</u>	<u>113,218</u>
Non-controlling interests		<u>16,959</u>	<u>17,599</u>
TOTAL EQUITY		<u>128,902</u>	<u>130,817</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												
	Share capital RMB '000	Share premium RMB '000	Merger reserve RMB '000	Statutory reserve RMB '000	Statutory surplus reserve RMB '000	Properties revaluation reserve RMB '000	Foreign currency translation reserve RMB '000	Share-based compensation reserve RMB '000	Other reserve RMB '000	Accumulated losses RMB '000	Total RMB '000	Non-controlling interests RMB '000	Total equity RMB '000
At 31 December 2021 (Audited) and 1 January 2022 (Unaudited)	69,218	220,633	(16,261)	790	12,058	5,495	(16,675)	-	361	(161,011)	114,608	(9,020)	105,588
Loss for the period	-	-	-	-	-	-	-	-	-	(6,362)	(6,362)	(98)	(6,460)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(544)	-	-	-	(544)	(436)	(980)
Other comprehensive expenses	-	-	-	-	-	-	(544)	-	-	-	(544)	(436)	(980)
Total comprehensive expenses for the period	-	-	-	-	-	-	(544)	-	-	(6,362)	(6,906)	(534)	(7,440)
Equity-settled share-based transactions (Note 15)	-	-	-	-	-	-	-	1,900	-	-	1,900	-	1,900
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	21,300	21,300
At 30 June 2022 (Unaudited)	69,218	220,633	(16,261)	790	12,058	5,495	(17,219)	1,900	361	(167,373)	109,602	11,746	121,348
At 31 December 2022 (Audited) and 1 January 2023 (Unaudited)	69,218	220,633	(16,261)	790	12,058	5,152	(18,775)	1,900	361	(161,858)	113,218	17,599	130,817
Loss for the period	-	-	-	-	-	-	-	-	-	(3,791)	(3,791)	(770)	(4,561)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	2,516	-	-	-	2,516	130	2,646
Other comprehensive expenses	-	-	-	-	-	-	2,516	-	-	-	2,516	130	2,646
Total comprehensive expenses for the period	-	-	-	-	-	-	2,516	-	-	(3,791)	(1,275)	(640)	(1,915)
Lapse of share options	-	-	-	-	-	-	-	(272)	-	272	-	-	-
At 30 June 2023 (Unaudited)	69,218	220,633	(16,261)	790	12,058	5,152	(16,259)	1,628	361	(166,377)	111,943	16,959	128,902

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>5,547</u>	<u>644</u>
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	<u>4,135</u>	<u>(9,925)</u>
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(3,889)</u>	<u>17,340</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,793	8,059
CASH AND CASH EQUIVALENTS AT 1 JANUARY	112,477	117,557
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	<u>2,059</u>	<u>(478)</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>120,329</u></u>	<u><u>125,138</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>120,329</u></u>	<u><u>125,138</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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.

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 (the "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 advisory service on stem cells and immunocytes in both the PRC and Hong Kong, and sales of advance biotechnical machineries and other electronic products in Hong Kong. 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 18/F., Ovest, No. 77 Wing Lok Street, Sheung Wan, Hong Kong respectively.

2. BASIS OF PREPARATION

These Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These unaudited condensed consolidated interim financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022 (the "2022 Annual Financial Statements"), which have been prepared in accordance with HKFRS(s).

The HKICPA has issued certain new and amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. These unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 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 2023. Note 3 of these unaudited condensed 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 unaudited condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis 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 measured as at FVTPL.

The preparation of these unaudited condensed 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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 2022 Annual Financial Statements.

These unaudited condensed consolidated interim financial statements contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 Annual Financial Statements. These unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

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

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 interim financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee (the "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 unaudited condensed consolidated interim financial statements.

HKFRS 17	Insurance contracts
HKAS 1 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group concluded that the adoption of these new and revised in the current period has had no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated interim financial statements.

3.2 New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2023 and not early adopted by the Group

	Effective for accounting periods beginning on or after
HK – Int 5, Amendments to HKAS 1	1 January 2024
HKAS 1 (Amendments), <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
HKAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
HKFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
HKFRS 10 and HKAS 28 (Amendments), <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	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 initial 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 receivables 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:

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Funeral services and cremation services provided in funeral parlours and funeral services centres under Group's management	35,957	35,061
Funeral arrangement and related consultancy services	1,554	1,482
Sales of burial plots and tombstones	321	404
Sales of biotechnical machineries and other electronic products	2,999	–
	<u>40,831</u>	<u>36,947</u>

(b) Segment information

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. 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.

The reportable operating segments derive their revenue primarily from funeral services and stem cells and immunocytes businesses for the Period and the Prior Period. Apart from the below operating and reportable segments, other activities of the Group were mainly investment holdings which are not considered as an operating segment and therefore grouped as “Unallocated” for the purpose of these unaudited condensed interim consolidated financial statements disclosures.

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 sales of burial plots and tombstones; and
- Stem cells and immunocytes and other businesses: Provision of advisory service on stem cells and immunocytes and sales of advance biotechnical machineries and other electronic products.

(A) The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2023 and 2022 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 certain financial assets measured at FVTPL and corporate assets. Segment liabilities include trade and other payables, contract liabilities, lease liabilities, bank borrowings, provisions, amounts due to directors and a shareholder and income tax liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

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

Segment results represent the earnings and loss of each segment without allocation of fair value gain/ (loss) on investment properties and financial assets measured at FVTPL, other income and other net gains, unallocated head offices and corporate expenses, finance costs and income tax expense. This is the measure reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

For the purpose of assessment by the Executive Directors, the finance costs on bank borrowings and lease liabilities were not included in segment results while the bank borrowings and lease liabilities have been included in the segment liabilities.

Information regarding the Group's reportable segments as provided to the Executive Directors for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below.

	Six months ended 30 June					
	2023			2022		
	Funeral services	Stem cells and immunocytes and other businesses	Total	Funeral services	Stem cells and immunocytes and other businesses	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	35,957	-	35,957	35,061	-	35,061
- Funeral arrangement and consultancy services	1,554	-	1,554	1,482	-	1,482
- Sales of burial plots and tombstones	321	-	321	404	-	404
- Sales of biotechnical machineries and other electronic products	-	2,999	2,999	-	-	-
	<u>37,832</u>	<u>2,999</u>	<u>40,831</u>	<u>36,947</u>	<u>-</u>	<u>36,947</u>
Segment operating profit/(loss)	<u>3,843</u>	<u>850</u>	<u>4,693</u>	<u>5,833</u>	<u>(221)</u>	<u>5,612</u>

There are no inter-segment sales during both the Period and the Prior Period.

The following table presents segment assets and segment liabilities of the Group's reportable segments as at 30 June 2023 and 31 December 2022:

	As at 30 June 2023			As at 31 December 2022		
	Funeral services	Stem cells and immunocytes and other businesses	Total	Funeral services	Stem cells and immunocytes and other businesses	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>225,278</u>	<u>5,947</u>	<u>231,225</u>	<u>220,613</u>	<u>7,469</u>	<u>228,082</u>
Segment liabilities	<u>126,508</u>	<u>8,004</u>	<u>134,512</u>	<u>127,695</u>	<u>8,899</u>	<u>136,594</u>

Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total reportable segment revenue and consolidated revenue	40,831	36,947
Total reportable segment profit derived from Group's external customers	4,693	5,612
Fair value (loss)/gain on financial assets measured at FVTPL	(16)	582
Unallocated other income and other net gains	2,462	1,508
Finance costs	(943)	(982)
Unallocated head office and corporate expenses	(9,380)	(8,156)
Consolidated loss before taxation	(3,184)	(1,436)

(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 2023

	Funeral services	Stem cells and immunocytes and other businesses	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Primary geographical markets			
The PRC	35,957	–	35,957
Taiwan	967	–	967
Hong Kong	587	2,999	3,586
Vietnam	321	–	321
	37,832	2,999	40,831
Major products and services			
Funeral services and cremation services provided in funeral parlours and funeral service centres under the Group's management	35,957	–	35,957
Funeral arrangement and consultancy services	1,554	–	1,554
Sales of burial plots and tombstones	321	–	321
Sales of biotechnical machineries and other electronic products	–	2,999	2,999
	37,832	2,999	40,831
Timing of revenue recognition			
At a point in time	321	2,999	3,320
Transferred over time	37,511	–	37,511
	37,832	2,999	40,831

For the six months ended 30 June 2022

	Funeral services <i>RMB'000</i> (Unaudited)	Stem cells and immunocytes and other businesses <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Primary geographical markets			
The PRC	35,061	–	35,061
Taiwan	717	–	717
Hong Kong	765	–	765
Vietnam	404	–	404
	<u>36,947</u>	<u>–</u>	<u>36,947</u>
Major products and services			
Funeral services and cremation services provided in funeral parlours and funeral service centres under the Group's management	35,061	–	35,061
Funeral arrangement and consultancy services	1,482	–	1,482
Sales of burial plots and tombstones	404	–	404
	<u>36,947</u>	<u>–</u>	<u>36,947</u>
Timing of revenue recognition			
At a point in time	404	–	404
Transferred over time	36,543	–	36,543
	<u>36,947</u>	<u>–</u>	<u>36,947</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, interests in associates, goodwill, other receivables and other deposits paid and deposits for hire 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, in case of property, plant and equipment, the physical location to which they are located. In the case of right-of-use assets, intangible assets, interests in associates, goodwill, other receivables and deposits paid and deposits for hire of funeral parlours and funeral services centres, it is based on the location of the operation to these assets are allocated.

	Revenue from external customers (by customer location)		Specified non-current assets (by physical location)	
	Six months ended 30 June 2023 RMB'000 (Unaudited)		As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Unaudited)
The PRC	35,957	35,061	29,854	31,917
Taiwan	967	717	32,140	30,565
Hong Kong	3,586	765	1,038	1,055
Vietnam	321	404	159	174
	<u>40,831</u>	<u>36,947</u>	<u>63,191</u>	<u>63,711</u>

5. OTHER INCOME AND OTHER NET GAINS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest income on bank deposits	112	30
Total interest income on financial assets measured at amortised cost	112	30
Sundry income	268	368
Rental income from investment properties	386	602
Gains on disposal of financial assets measured at FVTPL	1,764	454
Net exchange (losses)/gains	(68)	54
	<u>2,462</u>	<u>1,508</u>

6. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
(a) Finance costs		
Interest on lease liabilities	767	911
Interest on bank borrowings	176	71
Total interest expenses on financial liabilities not measured at FVTPL	<u>943</u>	<u>982</u>
(b) Staff costs (including Directors' emoluments)		
Salaries, wages and other benefits	16,072	12,631
Share-based payments	–	1,900
Contributions to defined contribution retirement plans	1,248	1,109
	<u>17,320</u>	<u>15,640</u>
(c) Depreciation and amortisation		
Right-of-use assets	1,601	2,389
Property, plant and equipment	384	784
Intangible assets	433	433
	<u>2,418</u>	<u>3,606</u>
(d) Other items		
Cost of inventories	6,781	5,444
Rental income from investment properties less direct outgoing of RMB nil (the Prior Period: RMB nil)	(386)	(602)
Lease payments for property, plant and equipment not included in the measurement of lease liabilities: minimum lease payment	125	106
	<u>125</u>	<u>106</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
PRC Enterprise Income Tax ("EIT") (Note (c))		
– Current tax	1,377	1,755
– Underprovision for prior years	–	3,269
	<u>1,377</u>	<u>5,024</u>

Notes:

- (a) Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profit above HK\$2 million.

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, Independent State of Samoa (“Samoa”) and the British Virgin Islands (“BVI”) for both the Period and the Prior Period.
- (c) During the Current Period and Prior Period, all subsidiaries operating in the PRC are subject to Enterprise Income Tax rate at 25% in accordance with the Law of the PRC on Enterprises Income Tax.

In prior years, Chongqing Xizhou Funeral Service Company Limited (“Chongqing Xizhou”), an indirect wholly-owned subsidiary of the Company, considered to a preferential tax rate of 15% in accordance with 西部大開發企業所得稅優惠 since 2011 and up to 2020; and 《關於延續西部大開發企業所得稅政策的公告》 (Announcement No. 23 of the Ministry of Finance in 2020) issued in April 2020 (collectively the “PRC Preferential Tax Regulations”) for a period from 1 January 2021 to 30 December 2030, when the annual revenue from the encouraged business exceeded 60% of Chongqing Xizhou total revenue in a fiscal year.

During the Prior Period, Chongqing Xizhou was notified by the local tax authority that its principal activities did not meet the criteria for an encouraged business under the PRC Preferential Tax Regulations. This led to Chongqing Xizhou being subjected to a 25% Enterprise Income Tax rate. Following negotiations between Chongqing Xizhou and the local tax authority, the local tax authority reaffirmed its original decision, resulting in Chongqing Xizhou paying an additional amount of approximately RMB3,269,000.

- (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% for both the Period and Prior Period 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 has accumulated tax loss brought forward which exceed the estimated assessable profits for both the Current Period and Prior Period, and Bao De and BLL have no assessable profits for both 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. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the three months and six months ended 30 June 2023 and 2022 are as follow:

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to the owners of the Company (RMB'000)	<u>(5,748)</u>	<u>(7,084)</u>	<u>(3,791)</u>	<u>(6,362)</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 per share (RMB cents)	<u><u>(0.77)</u></u>	<u><u>(0.95)</u></u>	<u><u>(0.51)</u></u>	<u><u>(0.86)</u></u>

(b) Diluted loss per share

For both the Period and the Prior Period, the computation of diluted loss per share did not assume the exercise of share options because the share options had an anti-dilutive effect on the basic loss per share. Therefore, the diluted loss per share is the same as the basic loss per share.

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 RMB998,000 (The Prior Period: RMB1,222,000). Items of property, plant and equipment with carrying amounts of approximately RMB521,000 were disposed of during the Period (The Prior Period: RMB nil).

(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 2023, with reference to recent market transactions for similar properties; and at 31 December 2022, with reference to the valuation reports prepared by an independent firm of surveyors.

During the Period, the revaluation deficit of approximately RMB nil (The Prior Period: RMB nil) have been recognised in other comprehensive 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 2023, with reference to recent market transactions for similar properties; and at 31 December 2022, with reference to the valuation reports prepared by an independent firm of surveyors.

12. FINANCIAL ASSETS MEASURED AT FVTPL

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Mutual funds/unit trusts established in Taiwan (<i>note (i)</i>)	34,334	32,771
Listed outside Hong Kong for trading purpose (<i>note (ii)</i>)		
– Equity securities	18,245	15,729
– Debt instruments	115	4,532
– Exchange traded funds	5,000	5,745
	<u>57,694</u>	<u>58,777</u>

Notes:

- (i) 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. The financial assets above offer the Group the opportunity for return through fair value gain. They have no fixed maturity and coupon rate. The fair value of the above financial assets is based on their current bid prices in an active market.
- (ii) At 30 June 2023 and 31 December 2022, the equity securities, debt instruments and exchange traded funds listed outside Hong Kong for trading purpose were stated at fair value, determined by reference to bid prices quoted in an active market.

The above financial assets are classified as current as the management expects to realise these financial assets within twelve months after the reporting period.

Mutual funds/unit trusts are presented within “operating activities” as part of changes in working capital and equity securities, debt instruments and exchange traded funds for trading purpose are presented within “investing activities” in the condensed consolidated statement of cash flows. The Group recognised a net realised and unrealised loss of RMB232,000 for the Current Period, while net realised and unrealised gain, in aggregate of approximately RMB1,490,000 was recorded during the Prior Period.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables	1,125	1,800
Less: Allowance for expected credit losses (“ECLs”)	<u>(1,092)</u>	<u>(1,092)</u>
Trade receivables, net (<i>note (a)</i>)	<u>33</u>	<u>708</u>
Prepayments, deposits paid and other receivables, net (<i>note (d)</i>)	<u>28,736</u>	<u>35,408</u>
	<u>28,769</u>	<u>36,116</u>
Representing:		
Current		
– Trade and other receivables and deposits paid	26,826	34,201
Non-current		
– Deposits for hire of funeral parlours and funeral services centre	943	1,000
– Other receivables and deposits paid	<u>1,000</u>	<u>915</u>
	<u>28,769</u>	<u>36,116</u>

Note:

- (a) Trade receivables with the following aging analysis by age presented based on the invoice date, net of allowance, as at 30 June 2023 and 31 December 2022 is as below:

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
0 to 180 days	<u>33</u>	<u>708</u>

During the Period, the average credit period for funeral arrangement services granted to non-funeral services deed customers is 45 days (The Prior Period: 45 days).

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

The Group does not hold any collateral over these balances.

- (b) All of the current portion of trade and other receivables and deposits paid are expected to be recovered within one year and prepayments are expected to be recognised as expense within one year or in its normal operating cycle.
- (c) The carrying amounts of trade and other receivables and deposits paid approximate to their fair values.

- (d) Included in prepayments, deposits paid and other receivables are deposits paid for funeral parlours and funeral services centre and the respective consulting services, prepaid hire charge of funeral parlours and funeral services centres, prepayment for purchase of biotechnical machineries and other electronics products, prepayment for purchase of raw materials and prepaid agency commission for funeral services of approximately RMB1,000,000 (31 December 2022: RMB1,000,000), RMB4,376,000 (31 December 2022: RMB8,835,000), RMB4,802,000 (31 December 2022: RMB6,521,000), RMB12,967,000 (31 December 2022: RMB12,423,000) and RMB2,297,000 (31 December 2022: RMB2,553,000), respectively.

14. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Trade payables (<i>note (c)</i>)	2,351	2,416
Other payables and accruals	12,306	10,899
Deposits received	–	791
	<u>14,657</u>	<u>14,106</u>
Less: deposits received	–	(791)
	<u>14,657</u>	<u>13,315</u>
Financial liabilities measured at amortised cost	<u>14,657</u>	<u>13,315</u>
Representing:		
Non-current liabilities		
– Other payables and deposits received	–	1,135
Current liabilities		
– Trade and other payables and deposits received	<u>14,657</u>	<u>12,971</u>
	<u>14,657</u>	<u>14,106</u>

Note:

- (a) All of the trade and other payables and deposits received are expected to be settled within one year or are repayable on demand.
- (b) The carrying amounts of trade and other payables and deposits received approximate to their fair values.

- (c) The following is an ageing analysis of trade payables, based on the date of receipt of goods or services received, as at 30 June 2023 and 31 December 2022:

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
0 to 30 days	2,177	1,188
31 days to 90 days	42	451
Over 90 days	132	777
	<u>2,351</u>	<u>2,416</u>

During the Period, the average credit period on purchase of goods is 30 days (the Prior Period: 30 days). The Group has financial risk management polices in place to ensure that all payables are settled within the credit timeframe.

15. CAPITAL AND RESERVES

Equity settled share-based transactions

Pursuant to the share option scheme adopted by the Company on 22 April 2021 (the “Share Option Scheme”) on 19 May 2022, 25,956,000 share options (the “Share Options”) to subscribe for 25,956,000 ordinary shares of par value of HK\$0.1 each of the Company (the “Shares”), representing approximately 3.7% of the issued share capital of the Company, were granted by the Company to certain eligible persons (the “Grantees”) at a consideration of HK\$1.00 for grant of Share Options upon acceptance for each Grantee. Each option gives the holder the right to subscribe for one ordinary share of the company.

These Share Options were vested immediately upon the grant of Share Options, and then be exercisable until 18 May 2032. The exercise price is \$0.137, being the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of the grant of the Share Options.

The terms and conditions of the options granted are as follows:

	Number of shares issuable under options granted	Exercisable period	Contractual life of options
Options granted during the Prior Period:			
Options granted to directors:			
– on 19 May 2022	7,424,000	19 May 2022 to 18 May 2032	10 years
Options granted to an employee:			
– on 19 May 2022	3,700,000	19 May 2022 to 18 May 2032	10 years
Options granted to business partners:			
– on 19 May 2022	14,832,000	19 May 2022 to 18 May 2032	10 years
	<u>25,956,000</u>		
Total share options			

The method of settlement for options granted is by equity. The closing price of the Company's share on 19 May 2022, the date on which the options were granted was HK\$0.137.

During the Period, 3,712,000 share options was lapsed and no share option was granted, cancelled and exercised.

The particulars of outstanding options at the end of the reporting period as follows:

	During the Period (Unaudited)		During the Prior Period (Unaudited)	
	Weighted average exercise price	Number of shares issuable under options granted	Weighted average exercise price	Number of shares issuable under options granted
Outstanding at the beginning of the period	HK\$0.137	25,956,000	N/A	–
Granted during the period	N/A	–	HK\$0.137	25,956,000
Lapsed during the period	HK\$0.137	(3,712,000)	–	–
Outstanding at the end of the period	HK\$0.137	22,244,000	HK\$0.137	25,956,000
Exercisable at the end of the period	HK\$0.137	22,244,000	HK\$0.137	25,956,000

Terms of unexpired and unexercised share options at the end of the reporting period are as follows:

30 June 2023	Number of shares issuable under options granted	Vesting period	Exercisable period	Exercise price
Options granted during the Prior Period:				
Options granted to a director:				
– on 19 May 2022	3,712,000	N/A	19 May 2022 to 18 May 2032	HK\$0.137
Options granted to an employee:				
– on 19 May 2022	3,700,000	N/A	19 May 2022 to 18 May 2032	HK\$0.137
Options granted to business partners:				
– on 19 May 2022	14,832,000	N/A	19 May 2022 to 18 May 2032	HK\$0.137
Total share options outstanding	22,244,000			

The share options outstanding at 30 June 2023 had exercise price of HK\$0.137 (31 December 2022: HK\$0.137) and a weighted average remaining contractual life of 8.88 years (31 December 2022: 9.38 years).

The options granted on 19 May 2022 shall expire ten years from the date of grant. As at 30 June 2023, 22,244,000 options (31 December 2022: 25,956,000 options) were exercisable at any time during a period of 10 years from the date of grant.

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the financial controller performing valuations for the financial instruments. The team reports directly to the Directors and the Audit Committee. Results of the valuations at each quarterly, interim and annual reporting date are reviewed and approved by the Directors. Discussion of the valuation process and results with the Directors and the Audit Committee is held quarterly, to coincide with the reporting dates.

	Fair value at 30 June 2023 <i>RMB'000</i> (Unaudited)	Fair value measurements as at 30 June 2023		
		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 measured at FVTPL	57,694	57,694	–	–
		Fair value measurements as at 31 December 2022		
	Fair value at 31 December 2022 <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 measured at FVTPL	58,777	58,777	–	–

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 2022 and 30 June 2023.

17. CAPITAL COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group had commitment for the capital injections in associates and a joint venture amounted to approximately RMB2,460,000 and RMB6,500,000 respectively.

18. 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	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Short-term employee benefits	2,308	3,860
Share based compensation	–	469
	<u>2,308</u>	<u>4,329</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	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Short-term employee benefits	827	649
Post-employment benefits	–	–
	<u>827</u>	<u>649</u>

(c) **Other related parties transactions**

- (i) 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 Tien-Tsai (“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.
- (ii) 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.
- (iii) 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.
- (iv) Guarantee for the Group’s bank loan of approximately RMB1,280,000 (31 December 2022: RMB1,385,000) is given by Mr. Liu as at 30 June 2023.

(d) **Amounts due from/(to) other related parties**

Particular of amounts due from/(to) other related parties, which are included in trade and other receivables or in trade and other payables are disclosed as follows:

		As at 30 June 2023 RMB’000 (Unaudited)	As at 31 December 2022 RMB’000 (Audited)
Ms. Chang Hui-Lan	Key management personnel	274	245
Mr. Liu Ting Hsuan	Close family member of key management personnel	–	(336)

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

(e) **Amounts due to directors**

Particular of amounts due to directors are disclosed as follows:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Mr. Liu	1,141	1,366
Mr. Xu Jianchun	2,620	1,122
Mr. Sun Fei	–	27
Mr. Chai Chung Wai	17	15
Dr. Xu Qiang	250	213
Ms. Hu Zhaohui	4	–
Dr. Yang Jingjing	13	13
	<u>4,045</u>	<u>2,756</u>

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

(f) **Amount due to a shareholder**

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

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Hong Kong Gaoqi Biological Technology Company Limited	<u>13,238</u>	<u>12,655</u>

As at 30 June 2023, the amount due to a shareholder classified as current liabilities amounting to approximately RMB10,801,000 (31 December 2022: RMB10,325,000) are unsecured, interest-free and repayable on demand, while the remaining portion of RMB2,437,000 (31 December 2022: RMB2,330,000) are unsecured, interest-free and repayable after one year.

19. EVENTS AFTER REPORTING PERIOD

On 26 April 2023, the Company and Zhongke Xunda Biotechnology (Shenzhen) Company Limited (“Zhongke Xunda”)* (中 科 訊 達 生 物 科 技 (深 圳) 有 限 公 司), a company established in the PRC, an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the “SPA I”) with Shenzhen Nanyue Crown Block Bio Intelligent Equipment Investment Co., Ltd. (“Nanyue CB”)* (深 圳 市 南 嶽 天 車 生 物 智 能 裝 備 投 資 有 限 公 司), a company established in the PRC. Pursuant to the SPA I, Zhongke Xunda (as purchasers) agreed to acquire from Nanyue CB (as vendor) the RMB16,200,000 paid-up capital of Zhongke Zhenhui (Guangdong) Medical Technology Company Limited (“Zhongke Zhenhui”)* (中 科 臻 慧 (廣 東) 醫 療 科 技 有 限 公 司), a company established in the PRC contributed by Nanyue CB, which is equivalent to 20.25% of the equity interest in Zhongke Zhenhui at a consideration of RMB15,930,000 (equivalent to HK\$18,160,000), which shall be satisfied by way of issue of the convertible bonds in the principal amount of HK\$18,160,000 (the “Convertible Bonds”) to Nanyue CB or its nominee(s) under the specific mandate (the “Specific Mandate I”). Pursuant to the terms of the Convertible Bonds, 187,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds at the initial conversion price of HK\$0.126 (the “Conversion Price”) per Conversion Share.

On 26 April 2023, the Company and Zhongke Xunda entered into a sale and purchase agreement (the “SPA II”) with Shenzhen Huaxin Times Investment Co., Ltd. (“Shenzhen Huaxin”)* (深 圳 市 華 信 時 代 投 資 有 限 公 司), a company established in the PRC. Pursuant to the SPA II, Zhongke Xunda (as purchasers) agreed to acquire from Shenzhen Huaxin (as vendor) the RMB15,000,000 paid-up capital of Guangdong Zhenyuan Investment Company Limited (“Guangdong Zhenyuan”)* (廣 東 臻 遠 投 資 有 限 責 任 公 司), a company established in the PRC, contributed by Shenzhen Huaxin, which is equivalent to approximately 21.43% of the equity interest in Guangdong Zhenyuan at a consideration of RMB15,000,000 (equivalent to HK\$17,100,000), which shall be satisfied by way of the issue of the Consideration Shares to Shenzhen Huaxin or its nominee(s) under the specific mandate (the “Specific Mandate II”) to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of 142,500,000 shares of the Company (the “Consideration Shares”).

An extraordinary general meeting of the Company (the “EGM”) has been held on 12 July 2023, and the SPA I, the SPA II and the transactions contemplated thereunder have been approved. Up to the date of this announcement, both the SPA I and the SPA II have been completed.

For details of the SPA I and the SPA II, please refer to the Company’s announcements dated 26 April 2023, 5 June 2023 and 15 June 2023 and the circular of the Company dated 23 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The COVID-19 pandemic has had a significant impact on China's consumer market and service companies, as evidenced by the results for the six months ended 30 June 2022 (the "Prior Period"). Despite these challenges, the long-term fundamentals of consumer development have remained unchanged.

With the optimal implementation of pandemic prevention and control policies and the orderly recovery of the consumption scene, the service industry's economic activeness has continued to rise, and the consumer market has shown signs of recovery and improvement. As a result, the Group's revenue from the operation of Sino-Life Group Limited ("the Company") and its subsidiaries (the "Group") in the People's Republic of China ("PRC"), particularly the Taiwan and Hong Kong Special Administrative Region, the PRC ("Hong Kong") market, have recorded impressive improvement during the six months ended 30 June 2023 (the "Current Period"), as compared with the Prior Period.

However, performance in Socialist Republic of Vietnam ("Vietnam") showed downward adjustments during the Current Period. Despite these challenges, the Group remains committed to pursuing new opportunities for growth and expansion.

The Group has been actively seeking diversified sources of income in order to enhance returns to the shareholders of the Company (the "Shareholder(s)"). The Group has formed a business system focusing on traditional funeral services and emerging biotechnology. While, the traditional funeral services business currently accounts for a large proportion of the Group's business and the revenue of the Group is mainly derived from the PRC, biotechnology is also the Group's long-term focus for its business development. The Group has also formed a professional investment team, including but not limited to, (i) expert consultants in the biotechnology industry; (ii) investment and research professionals with solid experience in investment in biotechnology related industry; and (iii) professionals in management, finance, legal, etc.

With the gradual elimination of the impact of the COVID-19 pandemic, the advanced biotechnical machineries distributed by the Group were gradually be delivered and installed during the Current Period. In order to further promote the rapid development of the biotechnology business, the Group established a specialized and comprehensive investment platform in December 2021, mainly focusing on investment in the development direction of biotechnology, including but not limited to, biomedicine, medical healthcare, life science instruments etc., as well as those emerging industries which could create synergy effect.

During the Current 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			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
The PRC	35,957	88.1	35,061	94.9
Taiwan	967	2.3	717	1.9
Hong Kong	3,586	8.8	765	2.1
Vietnam	321	0.8	404	1.1
Total	<u>40,831</u>	<u>100.0</u>	<u>36,947</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 Current Period. The Group's revenue derived from the PRC market was approximately RMB35,957,000 for the Current Period (The Prior Period: RMB35,061,000), representing a increase of approximately 2.6% 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 advisory service on stem cells and immunocytes under an agency agreement in Guangzhou city, Guangdong province.

Benefiting from the continuous adjustment of policies on pandemic prevention and control, the performance of the Group's funeral services in the PRC remained stable during the Current Period. The provision of funeral, cremation and cemetery services business contributed approximately RMB35,957,000 (The Prior Period: RMB35,061,000) during the Current Period, representing a year-on-year increase of 2.6% as compared to the Prior Period.

On the other hand, with respect to the advisory services on stem cells and immunocytes of the Group, the Group is mainly responsible for customising health consulting solutions for customers, and entrusts suppliers to provide stem cell or immune cell services for the customers of the Group. During the COVID-19 epidemic, the Group's sales plan could not be effectively implemented due to social restrictions which the Group could not effectively approach its customers. Since May 2022, the company has not received orders from customers. In order to avoid incurring losses, the Company has temporarily suspended its sales activities and will closely monitor market conditions to resume the sales activities when any opportunities arise.

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 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. The Group also carries out sales of biotechnical machineries and other electronics products in Hong Kong during the Current Period.

The sanitary restrictions in Taiwan continued to relax during the Current Period. Business in Taiwan strongly bounced back and recorded revenue of approximately RMB967,000 for the Current Period (The Prior period: RMB717,000), representing a year-on-year increase of approximately 34.9% from the Prior Period.

On the other hand, during the Current Period, business in Hong Kong recorded revenue of approximately RMB3,586,000, of which approximately RMB2,999,000 (the Prior Period: RMBNil) and RMB587,000 (the Prior Period: RMB765,000) were derived from the Group's stem cells and immunocytes and other businesses and funeral services respectively.

During the Prior Period, particularly in February and March 2022, the Group's funeral arrangement and related consultancy services experienced an unexpected surge in demand in Hong Kong. However, the demand for these services returned to normal levels during the Current Period. Consequently, the revenue generated from funeral business of the Group in Hong Kong market for the Current Period amounted to approximately RMB587,000, which represents a year-on-year decrease of approximately 23.3% as compared to the Prior Period's revenue of RMB765,000.

Meanwhile, with the easing of the COVID-19 sanitary restrictions, an advanced biotechnical machinery has successfully installed and fulfilled the revenue recognition criteria, revenue amounted to approximately RMB2,999,000 was recognized in respect of the Group's sales of advanced biotechnical machinery and other electronics products business in Hong Kong during the Current Period. As at 30 June 2023, the Group recorded approximately RMB4,282,000 unearned revenue in connection to its sales of advanced biotechnical machinery and other electronics products in Hong Kong during the Current Period.

Vietnam

During the fourth quarter of 2021, the Group's product demand was adversely impacted by strengthened sanitary restrictions in Vietnam. However, with the relaxation of COVID-19 pandemic control measures in the first quarter of 2022, product demand picked up and exceeded expectations, leading to higher-than-anticipated revenue during the Prior Period. However, during the Current Period, the demand for the Group's products returned to normal levels, resulting in a decrease in revenue from sales of burial plots in Vietnam. Specifically, the Group's revenue from this segment decreased by 20.5% to approximately RMB321,000, as compared to the Prior Period's revenue of RMB404,000.

FINANCIAL REVIEW

For the Current Period, the Group's revenue was approximately RMB40,831,000 (The Prior Period: RMB36,947,000), representing a year-on-year increase of approximately 10.5% for the Prior Period.

The increase in revenue during the Current Period was primarily driven by two factors, fueled by the adjustment of pandemic prevention and control policies. Firstly, the demand for the Group's funeral, cremation, and cemetery services in Chongqing, the PRC and Taiwan continued to increase and resulted in increased revenue from funeral business segment. Secondly, the Group's sales of advanced biotechnical machinery and other electronics products business in Hong Kong has fulfilled the revenue recognition criteria following the successful installment of an advanced biotechnical machinery, contributing to the increased revenue from the stem cells and

immunocytes business segment. These two factors were supported by the Group's ability to adapt to and other businesses changing circumstances and adjust its policies accordingly, ultimately contributing to the growth in revenue.

Cost of sales for the Current Period was approximately RMB23,835,000 (The Prior Period: RMB17,136,000), increased by approximately 39.1% as compared with the Prior Period. The increase in cost of sales for the Current Period was mainly due to (i) the increased cost of services for the Group's funeral, cremation, and cemetery services, contributed by the increase in the service provided and the inflationary pressure; and (ii) the increase in cost of machineries as the result of the fulfillment of the revenue recognition criteria of the Group's sales of advanced biotechnical machinery and other electronics products in Hong Kong.

Other income and other net gain for the Current Period was approximately RMB2,462,000, representing a 63.3% year-on-year increase as compared with approximately RMB1,508,000 for the Prior Period. The increase was mainly contributed by the gains on disposal of financial assets measured at fair value through profit or loss of approximately RMB1,764,000 (The Prior Period: RMB454,000) during the Current Period.

Compared with the Prior Period, the Group decreased its selling expenses by 50.7% year on year to approximately RMB1,447,000 in response to the decreased selling activities during the Current Period as the result of the stricter control on marketing activities to reduce costs and improved efficiency of marketing expenses during the Current Period. Administrative expenses increased by approximately 5.7% year on year to approximately RMB20,232,000 during the Current Period due to general increase in the salary level across different geographical segments during the Period.

Finance costs of the Group mainly consisted of the interest expenses on the bank borrowings and the interest expenses on the lease liabilities under HKFRS 16. The finance costs decreased to approximately RMB943,000 from that of the Prior Period of approximately RMB982,000. The decrease in finance costs during the Current Period was mainly due to decrease in the interest expenses on the lease liabilities, netted by the increase in the interest on bank borrowings as the result of increase in the interest rate.

The loss attributable to the owners of the Company for the Current Period was approximately RMB3,791,000 (The Prior Period: RMB6,362,000). Loss per share for the Current Period was approximately RMB0.51 cents (The Prior Period: RMB0.86 cents).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintains a stable financial position. As at 30 June 2023, the Group had time deposits with original maturity over three months and cash and bank balances of approximately RMB127,562,000 (31 December 2022: RMB121,811,000) while current and non-current bank borrowings were approximately RMB1,248,000 and approximately RMB3,177,000 respectively (31 December 2022: RMB1,198,000 and RMB3,590,000 respectively). All bank borrowings were denominated in New Taiwan Dollars ("NTD"), at prevailing market interest rate.

During the Current 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.

Treasury investments and significant investments held

As at 30 June 2023, the Group also invested approximately RMB23,360,000 (31 December 2022: RMB26,006,000) in certain equity and debt securities, and exchange trade funds (“ETF”) listed outside Hong Kong. These listed equity and debt investments are denominated in RMB and were classified as financial assets measured at fair value through profit or loss (“FVTPL”). The directors of the Company considered that the closing price of those listed equity and debt securities and ETF as at 30 June 2023 was the fair value of those investments. As at 30 June 2023, the fair value of the Group’s investment portfolio was approximately RMB23,360,000 (31 December 2022: RMB26,006,000).

The movements in the investment portfolio held by the Group during the Current Period:

	No. of securities	% of the Group’s total assets	% of the Group’s investment portfolio	1 January 2023 RMB’000	Addition RMB’000	Disposal/ redemption RMB’000	Fair value change in profit and loss RMB’000	30 June 2023 RMB’000
Financial assets measured at FVTPL								
- Guangdong Hongda Holdings Group Co., Ltd. (廣東宏大控股集團股份有限公司) (“GD Hongda”)	1	6.5%	78.1%	15,631	17,664	(15,149)	86	18,232
- Equity securities listed outside Hong Kong	5	0.0%	0.1%	98	3,277	(3,378)	16	13
- ETF listed outside Hong Kong	3	1.8%	21.3%	5,745	122,830	(123,461)	(114)	5,000
- Debt securities listed outside Hong Kong	2	0.0%	0.5%	4,532	-	(4,413)	(4)	115
Total	11	8.3%	100.00%	26,006	143,771	(146,401)	(16)	23,360

The aggregate value of the investment portfolio decreased by approximately RMB2,646,000 during the Current Period.

Additions to investment portfolio during the Current Period totalled approximately RMB143,771,000, including investments in 9 equity securities or ETFs listed outside Hong Kong, whereas disposals in investment portfolio during the Current Period totalled approximately RMB146,401,000, including divestments of 8 equity securities or ETFs listed outside Hong Kong amounted to approximately RMB141,989,000 and 3 debt security listed outside Hong Kong amounted to approximately RMB4,413,000.

Other movements of the investment portfolio during the Current Period included net fair value loss on financial assets measured at FVTPL of approximately RMB16,000.

Significant investments of individual fair value of 5% or above of the Group's total asset

Guangdong Hongda Holdings Group Co., Ltd.

Guangdong Hongda is a listed company listed in Shenzhen Stock Exchange (stock code: SZ002683). The principal business of GD Hongda is provision of civilian blasting equipment products, mine services such as infrastructure stripping, mine construction, overall blasting scheme design, blasting mining, mineral packaging and transportation, and research and development and sales of missile weapon systems, intelligent ammunition equipment and individual combat equipment and other products. As at 30 June 2023, the Group has 1,475,500 ordinary shares and recorded a fair value of approximately RMB18,232,000 in respect of its holding, which approximately 1.1% lower than the purchase cost of approximately RMB18,426,000 for such investment and represented approximately 6.5% of the Group's total assets and 78.1% of the aggregate fair value of the Group's investment portfolio. In terms of performance, a fair value gain of approximately RMB86,000 on such investment was recognised in profit or loss for the Current Period. Distribution of RMB186,000 was received from such investment for the Current Period.

With the aim of broadening the Group's source of income and maximizing the return of the invested capital of the Group, and in turn bringing value to the Shareholders, the Group invested in various equity securities with different focuses on industries, sectors, regions, and asset types, in order to achieve investment objectives of reducing investment concentration risk, utilising the valuable idle financial resources of the Group and enhancing returns for its Shareholders. The Group has partnered with an investment company, which has solid principally engaged in venture capital and investment consultation which focuses on investment in emerging industries, and has a professional investment team with extensive investment experience.

During the Current Period, while the Group strived to seek for investment opportunities that can benefit the Group's long term business strategy, the Group also exploited every opportunity to capture any short-term potential to fully utilise the valuable idle financial resources of the Group through investing in various kind of securities investment for capital appreciation purpose.

Equity securities or ETFs held by the Group at 30 June 2023 comprised a total of 9 listed equity securities or ETFs with an aggregate fair value of RMB23,245,000 (accounting for 8.2% of the Group's total assets) covering various industry sectors including optical optoelectronics, industrial products and consumables and index fund.

Listed debt instruments held by the Group at 30 June 2023 comprised a total of 2 listed bonds with an aggregate fair value of RMB115,000 (accounting for 0.0% of the Group's total assets) with coupon rates ranging from 0.3% to 1% per annum, and they are issued by PRC listed companies or its subsidiary primarily operating in industrial and medical sectors in the PRC. All the debt instruments have convertible options that allow the Group to convert into shares of the investee upon fulfilment of certain conditions. Despite of the convertible options embedded in the listed debt securities, as at 30 June 2023, the Group neither has an intention to convert the debt instruments into shares of the investee, nor has an intention to hold the debt instruments for long term purpose.

The Group's investment objective is to increase the value of its treasury management business so as to enhance returns for its Shareholders. While the Group continues to seek for investment opportunities that can benefit the Group's long term business strategy and strengthen the competitive edges of the Group, through a prudent investment strategy of maintaining a balanced portfolio that an appropriate mix of investment instruments and level of risks in its portfolio, the Group also strives for maximising the return of the idle capital of the Group by taking appropriate level of risk exposure but without impairing the liquidity of the Group. This is achieved by utilising various kind of securities instruments, including but not limited to equity securities and debt instruments, for potential capital appreciation purpose. Together with the investment expertise that the Group partners with, the Group's investment team reviews the Group's portfolio from time to time to ensure no excessive risk is taken. The Group seeks not only to enhance its source of revenue in order to mitigate the risks of losing income from any one particular source, but also to achieve consistent risk adjusted returns in its investment portfolio. As at 30 June 2023, the Group's investment portfolio only constituted 8.3% of the Group's total assets, and the largest exposure of a single securities was only 6.5% of the Group's total assets.

The future prospects of the Group's equity securities will be subject to various factors, including but not limited to political, economic, technology, financial and risk factors that are specific to individual industry sectors of the investments and will therefore vary from one investment to another depending on the overall capital and investment markets conditions, macroeconomic conditions as well as the prospects of the relevant industry. The future prospects of the Group's debt securities are exposed to interest rate risk through the impact of rate change on their fair values, and other factors, including but not limited to political, economic, technology, financial and risk factors that are specific to individual industry sectors of the investments. However, the Group will benefit from a portfolio constructed of different kinds of investments aiming to, on average, yield higher returns and lower the risk associated with any individual investment.

Treasury policy

The Group continues to adopt a conservative treasury policy in liquidity and financial management. The Group conducted its continuing operational business transactions mainly in RMB and HKD. Surplus cash is generally placed in fixed deposits and high-quality debt securities mostly denominated in Hong Kong dollars ("HKD"), United States dollar ("USD") or Renminbi ("RMB"). During the Current Period, the Group did not use any financial instruments for hedging purposes.

Gearing ratio

As at 30 June 2023, the gearing ratio representing the ratio of total borrowing to the total assets of the Group was approximately 1.6% (31 December 2022: 1.7%).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Capital commitments outstanding at 30 June 2023 and 31 December 2022 not provided for in these unaudited condensed consolidated financial statements are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Capital expenditure contracted but not provided for:		
– Investments in associates	2,460	2,460
– Investment in a joint venture	6,500	6,500
	<u>8,960</u>	<u>8,960</u>

The Group did not have any contingent liabilities as at both 30 June 2023 and 31 December 2022.

Save as disclosed above, 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 unaudited condensed 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 2023, the Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor the Group's foreign currency exposures and will consider hedging significant foreign currency exposures should the need arises.

SIGNIFICANT ACQUISITIONS AND DISPOSAL OF INVESTMENTS

On 26 April 2023, the Company and Zhongke Xunda Biotechnology (Shenzhen) Company Limited ("Zhongke Xunda")* (中科訊達生物科技(深圳)有限公司), a company established in the PRC, an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "SPA I") with Shenzhen Nanyue Crown Block Bio Intelligent Equipment Investment Co., Ltd. ("Nanyue CB")* (深圳市南嶽天車生物智能裝備投資有限公司), a company established in the PRC. Pursuant to the SPA I, Zhongke Xunda (as purchasers) agreed to acquire from Nanyue CB (as vendor) the RMB16,200,000 paid-up capital of Zhongke Zhenhui (Guangdong) Medical Technology Company Limited ("Zhongke Zhenhui")* (中科臻慧(廣

東)醫療科技有限公司), a company established in the PRC contributed by Nanyue CB, which is equivalent to 20.25% of the equity interest in Zhongke Zhenhui at a consideration of RMB15,930,000 (equivalent to HK\$18,160,000), which shall be satisfied by way of issue of the convertible bonds in the principal amount of HK\$18,160,000 (the “Convertible Bonds”) to Nanyue CB or its nominee(s) under the specific mandate (the “Specific Mandate I”) to be granted by the Independent Shareholders (being defined as “Shareholder(s) other than those who are required under the GEM Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM (as defined below) to approve the SPA I, the SPA II (as defined below) and the transactions contemplated thereunder”) to the Board at the EGM for the allotment and issue of 187,000,000 shares of the Company (the “Conversion Shares”) (based on the maximum number of Conversion Shares to be issued as a result of any adjustments in the initial conversion price of HK\$0.126 per Conversion Share (the “Conversion Price”) pursuant to the terms of the Convertible Bonds) to the holders of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price.

As at the date of the SPA I, Nanyue CB is controlled as to approximately 71.25% by Mr. Xu Jianchun (together with his associates), the chairman and an executive Director of the Company, and therefore a connected person of the Company.

Upon completion of the SPA I, Zhongke Zhenhui will be held as to 71.25% by Zhongke Xunda and 28.75% by Nanyue CB. The financial information of Zhongke Zhenhui will continue to be consolidated into the consolidated financial statements of the Group.

On 26 April 2023, the Company and Zhongke Xunda entered into a sale and purchase agreement (the “SPA II”) with Shenzhen Huaxin Times Investment Co., Ltd. (“Shenzhen Huaxin”)* (深圳市華信時代投資有限公司), a company established in the PRC. Pursuant to the SPA II, Zhongke Xunda (as purchasers) agreed to acquire from Shenzhen Huaxin (as vendor) the RMB15,000,000 paid-up capital of Guangdong Zhenyuan Investment Company Limited (“Guangdong Zhenyuan”)* (廣東臻遠投資有限責任公司), a company established in the PRC, contributed by Shenzhen Huaxin, which is equivalent to approximately 21.43% of the equity interest in Guangdong Zhenyuan at a consideration of RMB15,000,000 (equivalent to HK\$17,100,000), which shall be satisfied by way of the issue of the Consideration Shares to Shenzhen Huaxin or its nominee(s) under the specific mandate (the “Specific Mandate II”) to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of 142,500,000 shares of the Company (the “Consideration Shares”).

As at the date of the SPA II, Guangdong Zhenyuan, is controlled as to approximately 42.86% by Shenzhen Huaxin and approximately 57.14% by Zhongke Zhenhui, an indirect non-wholly owned subsidiary of the Company, and therefore, Shenzhen Huaxin is a connected person of the Company.

Upon completion of the SPA II, Guangdong Zhenyuan will be held as to approximately 21.43% by Zhongke Xunda, approximately 57.14% by Zhongke Zhenhui and approximately 21.43% by Shenzhen Huaxin. The financial information of Guangdong Zhenyuan will continue to be consolidated into the consolidated financial statements of the Group.

For details of the SPA I and the SPA II, please refer to the Company’s announcements dated 26 April 2023, 5 June 2023 and 15 June 2023 and the circular of the Company dated 23 June 2023.

An extraordinary general meeting of the Company (the “EGM”) has been held on 12 July 2023, and the SPA I, the SPA II and the transactions contemplated thereunder have been approved by the Independent Shareholders. Up to the date of this announcement, both the SPA I and the SPA II have been completed.

CHARGE ON GROUP ASSETS

As at 30 June 2023, the carrying amount of property, plant and equipment pledged as security for the Group’s bank borrowings was approximately RMB23,821,000 (31 December 2022: RMB22,578,000).

THE NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2023, the Group employed 250 employees (31 December 2022: 218 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.

PROSPECTS

Under the pressure of multiple factors, the world economy has experienced a relatively obvious stagflation. China’s economy faced a series of challenges such as the COVID-19 pandemic, the Russian-Ukrainian conflict, the adjustment of the real estate market, the significant interest rate hike by the Federal Reserve, and geopolitical rivalry, which led to an increase in the complexity, severity and uncertainty of the development environment.

Meanwhile, despite of the relaxation of the “zero-COVID” policy near year end of 2022, there are still uncertainties on the road of the society’s return to normal.

In light of the current economic environment, the Company continues to closely monitor the developments of the China’s economy in the postpandemic era and the Russian-Ukrainian conflict, impacts of which will depend on future developments, which are highly uncertain, constantly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making as we continue to assess medium to long-term impacts.

In the face of the complex and ever-changing global economic environment and the uncertainties surrounding the road of the society’s return to normal, China’s economy has been under increasing downward pressure. In order to achieve stable growth, China has continued to make its best effort to restore the normal production and living in order, during the post pandemic era, while optimizing the role of counter-cyclical adjustment, continuously supporting stable growth with macro policies and vigorously supporting the development of strategic emerging industries. Industries such as the new energy, new materials, Internet of Things, biotechnology have been developing rapidly. Further changes in economic conditions for the Group arising thereof may have impact on the financial results for the year ending 31 December 2023 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 and react actively if any circumstances arose that may impact on the financial position and operating results of the Group.

Biotechnology is the Group's long-term focus for its business development. In early 2021, the PRC government announced its 14th five-year plan, in which biotechnology industry was listed as one of the eight scientific development focuses. The PRC government also indicated the construction of national laboratories regarding biotechnology to assist the research and development activities within the industry.

In order to further promote the rapid development of the biotechnology business, the Group has formed a business system focusing on traditional funeral services and emerging biotechnology. The Group has made a presence in the biotechnology business since early 2019. After several years of development, the life science instrument sales business has made a substantial progress. The Group has positioned one of the Company's subsidiaries, Zhongke Zhenhui as a specialized and comprehensive investment platform to focus on the investment in biotechnology industry and emerging industries with development prospects, including but not limited to, biomedicine, medical healthcare, life science instruments etc., as well as those emerging industries which could create synergy effect.

On 26 April 2023, the Company further entered into SPA I with Nanyue CB to acquire from Nanyue CB the RMB16,200,000 paid-up capital of Zhongke Zhenhui contributed by Nanyue CB, which is equivalent to 20.25% of the equity interest in Zhongke Zhenhui, and the SPA II with Shenzhen Huaxin to acquire from Shenzhen Huaxin the RMB15,000,000 paid-up capital of Guangdong Zhenyuan contributed by Shenzhen Huaxin, which is equivalent to approximately 21.43% of the equity interest in Guangdong Zhenyuan.

Through the SPA I and SPA II, the Company will further increase its shareholding in Zhongke Zhenhui and Guangdong Zhenyuan, and further enhance the Company's controlling position in such companies. Not only can it improve the efficiency of the operation and decision-making of Zhongke Zhenhui and Guangdong Zhenyuan, but also enhance the cooperation confidence of business partners, which in turn accelerate the development of Zhongke Zhenhui and Guangdong Zhenyuan's investment business, so as to achieve the goal of strengthening and expanding the investment business of the Group. By further increasing the Group's proportion of equity interests held in Zhongke Zhenhui and Guangdong Zhenyuan, as the investment business operations achieve growth in performance, the Group will be able to improve its income level thereby maximising the return to Shareholders.

The Group has also formed a professional investment team, including but not limited to, (i) expert consultants in the biotechnology industry; (ii) investment and research professionals with solid experience in investment in biotechnology related industry; and (iii) finance and legal professional staff, etc.

Looking ahead, the world is undergoing major changes unseen in a century. Geopolitical risks are intensifying. China is also facing the triple pressure of "shrinking demand, supply shock and expected weakening", and the uncertainty of economic development is increasing. However, China's strategic goal of continuously deepening innovation-driven development, supporting the rapid development of emerging industries and promoting high-quality economic development remain unchanged. Therefore, the Group will continue to adhere to diversified development. While consolidating the traditional funeral services business, the Group will actively seize the strategic opportunities arising from the booming development of the biotechnology industry, allocate more resources to support the development of the Group's biotechnology business, and will actively seek suitable investment targets and opportunities from time to time to diversify income sources and promote business development.

Through commencing equity and securities investment business, which is centered on the development direction of the biotechnology industry, and will actively seek suitable investment goals and opportunities from time to time to expand the investment scale of the Group and maximize the investment income of the Group and the return to shareholders of the Company.

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 Corporations

As at 30 June 2023, the interests and short positions held by the Directors or chief executives of the Company 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 (Cap. 571 of the Laws of Hong Kong) (the "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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Aggregated long positions in the Shares and Underlying Shares:

Name of Directors	Number of Shares held		Number of Underlying Shares held pursuant to the share options	Total	Approximate percentage of the total number of Shares in issue
	Personal Interest	Corporate Interest	Personal Interest		
Mr. XU Jianchun ("Mr. Xu")	-	220,475,000 (Note 1)	-	220,475,000	29.69%
Dr. XU Qiang	-	-	3,712,000 (Note 2)	3,712,000	0.50%

Notes:

- Mr. Xu is interested in 220,475,000 Shares through his controlling interests in Hong Kong Gaoqi Biological Technology Company Limited ("HK Gaoqi"). Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interests and 9.78% through Houp Bio-Technology Limited ("HBT Limited"), a company incorporated in the British Virgin Islands. HBT Limited has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders' meeting respectively. Mr. Xu holds 94.07% class A interests and Ms. Qiu Qi (邱琪), the spouse of Mr. Xu, holds 5.93% class A interests and 10.74% class B interests in HBT Limited. By virtue of the SFO, Mr. Xu is taken to be interested in all the shares held by Ms. Qiu Qi, so Mr. Xu collectively holds 86.78% of the total voting rights of HBT Limited, and in turn is interested in 9.78% of HK Gaoqi. Accordingly, Mr. Xu is deemed to be interested in all the Shares held by HK Gaoqi by virtue of SFO.

- These Shares represent the share options granted by the Company under the share option scheme of the Company on 19 May 2022.

Save as disclosed above, as at 30 June 2023, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the Shares, Underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 June 2023, 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 Corporations" above, the following persons and corporations have interests 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 Shareholders	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Company
HK Gaoqi	Beneficial Owner <i>(Note 1)</i>	220,475,000	29.69%
Ms. QIU Qi	Interests of controlled corporation <i>(Note 2)</i>	220,475,000	29.69%

Notes:

- Mr. Xu is the director of HK Gaoqi, which holds 29.69% Shares, and the director of HBT Limited, which holds 9.78% of equity interests in HK Gaoqi. Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interests and 9.78% through HBT Limited. HBT Limited has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders' meeting respectively, and Mr. Xu holds 94.07% class A interests in HBT Limited and Ms. Qiu Qi, the spouse of Mr. Xu, holds 5.93% class A interests and 10.74% class B interests in HBT Limited. By virtue of the SFO, Mr. Xu is taken to be interested in all the shares held by Ms. Qiu Qi, so Mr. Xu collectively holds 86.78% of the total voting rights of HBT Limited, and in turn is interested in 9.78% of HK Gaoqi.
- By virtue of the SFO, Ms. Qiu Qi, the spouse of Mr. Xu, is taken to be interested in all the shares held by Mr. Xu.

Save as disclosed above and the Directors' interests as disclosed in "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations", no person had interests or short positions in the Shares or Underlying Shares which are required to be recorded in the register to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2023.

DIRECTORS' INTERESTS IN CONTRACTS

As disclosed in the announcement (the "Announcement") dated 26 April 2023 and the circular (the "Circular") dated 23 June 2023 of the Company with respect to the major and connected transactions in relation to (i) acquisition of 20.25% equity interest in Zhongke Zhenhui involving issue of convertible bonds under specific mandate; (ii) acquisition of approximately 21.43% equity interest in Guangdong Zhenyuan involving issue of consideration shares under specific mandate, the Company has entered into the SPA I and the SPA II on 26 April 2023. Capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcement and the Circular unless the context requires otherwise.

On 26 April 2023, the Company and Zhongke Xunda, a company established in the PRC, an indirect wholly-owned subsidiary of the Company, entered into the SPA I with Nanyue CB, a company established in the PRC. Pursuant to the SPA I, Zhongke Xunda (as purchasers) agreed to acquire from Nanyue CB (as vendor) the RMB16,200,000 paid-up capital of Zhongke Zhenhui, a company established in the PRC contributed by Nanyue CB, which is equivalent to 20.25% of the equity interest in Zhongke Zhenhui at a consideration of RMB15,930,000 (equivalent to HK\$18,160,000), which shall be satisfied by way of issue of the Convertible Bonds in the principal amount of HK\$18,160,000 to Nanyue CB or its nominee(s) under the Specific Mandate I granted to the Board at the EGM held on 12 July 2023 for the allotment and issue of 187,000,000 Conversion Shares to the holders of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price.

As at the date of the SPA I, Nanyue CB is controlled as to approximately 71.25% by Mr. Xu (together with his associates), the chairman and an executive Director of the Company.

For more details, please refer to the Announcement and the Circular.

Save as disclosed above and the transactions disclosed in note 18 to the unaudited condensed consolidated interim financial statements, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or parent company was a party and in which a Director or his connected entity had, directly or indirectly, a material interest subsisted at the end of the Current Period or at any time during the Current 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 the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations” above, at no time during the Current Period was the Company, its holding company, or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or 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 Current Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As disclosed in the announcement (the “JV Announcement”) dated 13 September 2021 and the circular (the “JV Circular”) dated 29 October 2021 of the Company with respect to (i) the major and connected transaction in relation to the capital increase in Zhongke Zhenhui; and (ii) the major transaction in relation to the formation of the JV Company, the Company has entered into the Capital Increase Agreement and the JV Agreement on 13 September 2021. Capitalised terms used in this announcement shall bear the same meanings as those defined in the JV Announcement and the JV Circular unless the context requires otherwise.

If the Capital Increase and the Formation of the JV Company had been approved by the shareholders of the Company at the extraordinary general meeting on 22 November 2021. The Group through (i) the JV Company will engage in equity and/or securities investment business; and (ii) Zhongke Zhenhui engaged in technical development and consultation services, investment activities and business management consultation. The businesses of Nanyue AM are mainly engaged in asset management, investment management, equity investment and investment consulting services through its private equity funds. Mr. Xu is a director of Nanyue AM and, together with his associates, ultimately owned as to approximately 71.25% equity interests of Nanyue AM, therefore, Mr. Xu may be regarded as being interested in the competing business with the business of the Group.

As the Company’s management and administrative structure are independent to that of Nanyue AM, and coupled with the diligence of the independent non-executive Directors and the audit committee of the Company (the “Audit Committee”), the Group is capable of carrying its businesses independently on an arm’s length basis.

For more details, please refer to the JV Announcement, the JV Circular and the announcement dated 22 November 2021 of the Company.

Save as disclosed above, during the Current Period and up to the date of this announcement, none of the Directors, the controlling shareholders of the Company, or any of their respective close associates (as defined in the GEM Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the businesses of the Group, and is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

SHARE OPTION SCHEME

The old share option scheme, which was adopted by the Company on 24 August 2009, was expired and there was no outstanding share option. A new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company at the extraordinary general meeting of the Company held on 22 April 2021. 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 22 April 2021 (the "Date of Adoption") (that is from 22 April 2021 to 21 April 2031). The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the participants and to promote the success of the business of the Group. The participants include any director, employee (full-time and part-time), advisor, consultant, supplier, agent, customer, partner or joint-venture partner of the Company or any subsidiary of the Company, who, in the absolute discretion of the Board, has contributed or may contribute to the Group so as to promote the success of the business of the Group.

The Company may grant to eligible participants (including any director, employee, advisors consultant, supplier, agent, customer, partner or joint-venture partner of the Company or any subsidiary of the Company whom the Board considers, in its sole discretion, have contributed or will contribute to the Group) options to subscribe shares in the Company, subject to a maximum of 10% of the total number of shares of the Company in issue as at the Date of Adoption and as at the approval date of refreshment from time to time, excluding for this purpose shares issued on the exercise of options.

The subscription price for Shares under the Share Option Scheme shall be determined at the absolute discretion of the Directors but in any event will not be less than the highest of (a) 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; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five consecutive business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

Upon acceptance of the options, the grantee of the Share Option Scheme shall pay HK\$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 10 days from the date of offer. The exercise period of any option granted under the Share Option Scheme is determined by the Board upon granting the options but in any event must not be more than 10 years commencing on the date of grant. Unless determined by the Directors otherwise, there is no minimum holding period before the options can be exercised.

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 of the Company in issue as at the date of approval 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 of the Company in issue as at the date of approval of the refreshment of the 10% limit.

The number of options available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 were both 48,294,000.

A total of 48,294,000 Shares are available for issue under the Share Option Scheme, representing 6.50% of the total issued capital of the Company as at the date of this announcement.

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 of the Company 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 of the Company in issue for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme does not set out any performance targets that must be achieved before the share options may be exercised. However, the Board may at its sole discretion specify, as part of the terms and conditions of any share option, such performance conditions that must be satisfied before the share option can be exercised.

The period during which a share option may be exercised is determined and notified by the Board to each grantee at the time of making an offer for the grant of the share option and such period shall not expire later than ten years from the date of grant of the share option.

Details of the share options movements during the Current Period under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Exercise Period	Vesting Period	Closing price immediately preceding the date of grant (Note 1) (HK\$)	Number of share options		
						Balance as at 1/1/2023	Lapsed during the Period	Balance as at 30/6/2023
Directors:								
Dr. XU Qiang	19/5/2022	0.137	19/5/2022-18/5/2032	N/A	0.137	3,712,000	-	3,712,000
Mr. SUN Fei (resigned on 3 April 2023)	19/5/2022	0.137	19/5/2022-18/5/2032	N/A	0.137	3,712,000	(3,712,000)	-
Other eligible participants:								
Employee	19/5/2022	0.137	19/5/2022-18/5/2032	N/A	0.137	3,700,000	-	3,700,000
Business partners (Note 2)	19/5/2022	0.137	19/5/2022-18/5/2032	N/A	0.137	14,832,000	-	14,832,000
Total						<u>25,956,000</u>	<u>(3,712,000)</u>	<u>22,244,000</u>

Notes:

- Being the higher of the closing price of the Shares quoted on the Stock Exchange on the trading day immediately prior to the date of grant of the share options; and the average closing price for the five business days immediately preceding the date of grant.
- The share options have been granted to 2 business partners on 19 May 2022 and each of them holds 7,416,000 share options.

During the Current Period, 3,712,000 share options was lapsed and no share option was granted, cancelled and exercised.

Further details of Share Options Scheme were set out in note 15 to the unaudited condensed consolidated interim financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

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 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 all of the code provisions set out in the Code for the Current Period.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information during the Current Period and up to the date of this announcement, as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules, are set out below:

Name of Directors	Details of Changes
Mr. SUN Fei	<ul style="list-style-type: none">Resigned as an independent non-executive Director, the chairman and member of Audit Committee and member of each of nomination committee (the "Nomination Committee") and remuneration committee of the Company (the "Remuneration Committee") on 3 April 2023.
Mr. CHAI Chung Wai	<ul style="list-style-type: none">Appointed as the chairman of Audit Committee on 3 April 2023.Retired as the chairman of Remuneration Committee but remained a member of the Remuneration Committee on 7 June 2023.
Ms. HU Zhaohui	<ul style="list-style-type: none">Appointed as an independent non-executive Director, the chairman and member of Remuneration Committee and member of each of Nomination Committee and Audit Committee on 7 June 2023.

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 Current Period.

Specific employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with the same code. No incident of non-compliance was noted by the Company for the Current Period.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADOPTION OF NEW ARTICLES OF ASSOCIATION

At the annual general meeting of the Company dated 31 May 2023, a special resolution was passed to amend the existing articles of association of the Company, and to adopt the second amended and restated memorandum and articles of association of the Company (the "M&A"). The M&A consolidated all the amendments to bring the constitution of the Company in line with the amendments to the GEM Listing Rules, relating to, among others, the new Appendix 3 to the GEM Listing Rules with effect from 1 January 2022 for which listed issuers are required to make necessary amendments to the constitutional documents to bring the constitutional documents to conformation. The M&A were amended to (i) bringing the M&A in line with the amendments made to Appendix 3 to the GEM Listing Rules which became effective on 1 January 2022 and the

applicable laws of the Cayman Islands; (ii) providing flexibility to the Company in relation to the conduct of general meetings by way of physical meeting, virtual meeting or hybrid meeting; and (iii) incorporating certain housekeeping amendments as set out in Appendix III to the circular of the Company dated 18 April 2023. The M&A are available on the websites of the Company and the Stock Exchange. For further details of the amendments to the existing M&A of the Company and adoption of the M&A, please refer to Company's announcements dated 13 April 2023 and 31 May 2023, and the circular of the Company dated 18 April 2023.

NON-COMPLIANCE WITH THE GEM LISTING RULES

Following the resignation of Mr. Sun Fei on 3 April 2023, the Company only had two independent non-executive Directors. The number and composition of independent non-executive Directors failed to meet the requirements under (i) Rule 5.05(1) of the GEM Listing Rules which requires the board of directors must include at least 3 independent non-executive directors; and (ii) Rule 5.28 of the GEM Listing Rules which requires the audit committee to comprise a minimum of three members.

Following the appointment of Ms. Hu Zhaohui as an independent non-executive Director and an Audit Committee member on 7 June 2023, the Board comprises three executive Directors and three independent non-executive Directors. As a result, the Company has complied with Rules 5.05(1) and 5.28 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established 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 2023, the Audit Committee comprises three independent non-executive Directors, namely Mr. CHAI Chung Wai (chairman of the Audit Committee), Ms. HU Zhaohui, and Dr. YANG Jingjing.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Current Period pursuant to the relevant provisions contained in the Corporate Governance Code 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.

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

7 August 2023

As at the date hereof, the Board comprises Mr. XU Jianchun, Mr. LIU Tien-Tsai and Dr. XU Qiang being executive Directors; and Mr. CHAI Chung Wai, Dr. YANG Jingjing and Ms. HU Zhaohui being independent non-executive Directors.

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at <http://www.hkexnews.hk> 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>.