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Interim Report **2018**



**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



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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, 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 report is accurate and complete in all material respects and not misleading; and there are no other matters the omission of which would make any statement herein or in this report misleading.*

## INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) is here to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2018 together with the comparative unaudited consolidated figures for the corresponding period in 2017.

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>Revenue</b>	4(a)	<b>13,451</b>	14,281	<b>31,509</b>	29,088
Cost of sales		<b>(7,827)</b>	(7,096)	<b>(16,200)</b>	(12,807)
<b>Gross profit</b>		<b>5,624</b>	7,185	<b>15,309</b>	16,281
Other gains	5	<b>847</b>	824	<b>1,043</b>	1,281
Selling expenses		<b>(1,816)</b>	(1,337)	<b>(4,498)</b>	(2,726)
Administrative expenses		<b>(4,797)</b>	(7,648)	<b>(11,261)</b>	(15,755)
Other operating expenses		<b>(2,108)</b>	(106)	<b>(2,907)</b>	(111)
<b>Loss from operations</b>		<b>(2,250)</b>	(1,082)	<b>(2,314)</b>	(1,030)
Finance costs	6(a)	<b>(145)</b>	(48)	<b>(190)</b>	(101)
<b>Loss before taxation</b>	6	<b>(2,395)</b>	(1,130)	<b>(2,504)</b>	(1,131)
Income tax	7	<b>(182)</b>	(181)	<b>(600)</b>	(440)
<b>Loss for the period</b>		<b>(2,577)</b>	(1,311)	<b>(3,104)</b>	(1,571)
<b>Other comprehensive income/(loss) for the period</b>					
<b>Item that will not be reclassified to profit or loss:</b>					
Surplus on revaluation of land and buildings held for own use					
		<b>237</b>	79	<b>237</b>	79
<b>Item that may be reclassified subsequently to profit or loss:</b>					
Exchange differences on translation of financial statements of operations outside the People's Republic of China (“non-PRC operations”)					
		<b>5,179</b>	(10,301)	<b>6,273</b>	(885)
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>5,416</b>	(10,222)	<b>6,510</b>	(806)
<b>Total comprehensive income/(loss) for the period, net of income tax</b>		<b>2,839</b>	(11,533)	<b>3,406</b>	(2,377)



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

	Three months ended 30 June		Six months ended 30 June		
	2018	2017	2018	2017	
Notes	RMB'000	RMB'000	RMB'000	RMB'000	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
<b>Loss attributable to:</b>					
Owners of the Company	(2,355)	(1,203)	(2,869)	(1,332)	
Non-controlling interests	(222)	(108)	(235)	(239)	
	<b>(2,577)</b>	<b>(1,311)</b>	<b>(3,104)</b>	<b>(1,571)</b>	
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company	3,083	(11,402)	3,716	(2,086)	
Non-controlling interests	(244)	(131)	(310)	(291)	
	<b>2,839</b>	<b>(11,533)</b>	<b>3,406</b>	<b>(2,377)</b>	
<b>Loss per share</b>					
Basic and diluted	8	RMB(0.32) cent	RMB(0.16) cent	RMB(0.39) cent	RMB(0.18) cent

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	31,345	34,670
Investment property	11	6,034	6,162
Prepaid lease payments		2,804	2,804
Intangible assets		486	499
Deposits for hire of funeral parlours and funeral services centres		1,000	1,000
Other rental deposits and prepayments		54	—
Goodwill		2,869	2,869
		<b>44,592</b>	48,004
<b>CURRENT ASSETS</b>			
Financial assets designated as at fair value through profit or loss	12	33,937	37,098
Development and formation costs		5,055	5,055
Inventories		1,129	1,112
Tax recoverable		10	10
Deposits for hire of funeral parlours and funeral services centres		700	700
Trade and other receivables	13	50,380	42,099
Prepaid lease payments		67	67
Cash and cash equivalents		101,345	98,186
		<b>192,623</b>	184,327
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	17,122	10,447
Receipts in advance		88,280	92,432
Current portion of bank borrowings		1,032	1,059
Current taxation		3,520	4,184
Provisions		2,824	2,900
		<b>(112,778)</b>	(111,022)
<b>NON-CURRENT LIABILITIES</b>			
Receipts in advance		620	149
Bank borrowings		8,322	9,071
		<b>(8,942)</b>	(9,220)
<b>NET ASSETS</b>		<b>115,495</b>	112,089
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		69,218	69,218
Reserves		49,051	45,335
		<b>118,269</b>	114,553
<b>Non-controlling interests</b>		<b>(2,774)</b>	(2,464)
<b>TOTAL EQUITY</b>		<b>115,495</b>	112,089



# 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	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
							currency translation reserve RMB'000					
<b>At 1 January 2017 (audited)</b>	69,218	220,633	(16,261)	790	1,550	2,107	(17,857)	7,676	(133,986)	133,870	(1,252)	132,618
Loss for the period	—	—	—	—	—	—	—	—	(1,332)	(1,332)	(239)	(1,571)
Surplus on revaluation of land and buildings held for own use	—	—	—	—	—	79	—	—	—	79	—	79
Exchange differences on translation of financial statements of non-PRC operations	—	—	—	—	—	—	(833)	—	—	(833)	(52)	(885)
Other comprehensive income/(loss)	—	—	—	—	—	79	(833)	—	—	(754)	(52)	(806)
<b>Total comprehensive income/(loss) for the period</b>	—	—	—	—	—	79	(833)	—	(1,332)	(2,086)	(291)	(2,377)
Lapse of share option granted	—	—	—	—	—	—	—	(333)	333	—	—	—
<b>At 30 June 2017 (unaudited)</b>	69,218	220,633	(16,261)	790	1,550	2,186	(18,690)	7,343	(134,985)	131,784	(1,543)	130,241
<b>At 1 January 2018 (audited)</b>	69,218	220,633	(16,261)	790	1,550	2,350	(17,775)	7,345	(153,297)	114,553	(2,464)	112,089
Loss for the period	—	—	—	—	—	—	—	—	(2,869)	(2,869)	(235)	(3,104)
Surplus on revaluation of land and buildings held for own use	—	—	—	—	—	—	237	—	—	237	—	237
Exchange differences on translation of financial statements of non-PRC operations	—	—	—	—	—	—	6,348	—	—	6,348	(75)	6,273
Other comprehensive income/(loss)	—	—	—	—	—	—	6,585	—	—	6,585	(75)	6,510
<b>Total comprehensive income/(loss) for the period</b>	—	—	—	—	—	—	6,585	—	(2,869)	3,716	(310)	3,406
Lapse of share option granted	—	—	—	—	—	—	—	—	—	—	—	—
<b>At 30 June 2018 (unaudited)</b>	69,218	220,633	(16,261)	790	1,550	2,350	(11,190)	7,345	(156,166)	118,269	(2,774)	115,495

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(2,364)	2,238
NET CASH USED IN INVESTING ACTIVITIES	(437)	(1,102)
NET CASH USED IN FINANCING ACTIVITIES	(967)	(628)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,768)</b>	508
CASH AND CASH EQUIVALENTS AT 1 JANUARY	98,186	98,550
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	6,927	2,714
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>101,345</b>	101,772
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank deposits and cash	101,345	101,772



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*For the six months ended 30 June 2018*

## 1. GENERAL

Sino-Life Group Limited (the “Company”) was incorporated on 24 February 2005 in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law. Its shares are listed on GEM of the Stock Exchange on 9 September 2009.

The consolidated interim financial report for the six months ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Company is principally engaged in investment holding. The subsidiaries are mainly engaged in the provision of funeral and related services in the People’s Republic of China (the “PRC”), Taiwan and Hong Kong, sale of burial plots and tombstones and provision of cemetery maintenance services in Vietnam and provision of elderly care and related consultancy services in Taiwan.

## 2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules, including compliance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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



The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

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

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



### 3. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the new and revised HKFRSs which are effective for the financial year beginning on or after 1 January 2018. The adoption of these new and revised standards did not have any significant impact on the operating results and financial position of the Group.

### 4. REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Funeral services and cremation services provided in funeral parlours and funeral service centres under the Group's management	<b>29,250</b>	27,253
Funeral arrangement services	<b>2,136</b>	1,469
Sale of burial plots	<b>123</b>	366
	<b>31,509</b>	29,088

## (b) Segment information

The Group manages its businesses by divisions, which are organised by both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Company's executive directors (the "Executive Directors"), the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented five reportable segments. No operating segments have been aggregated to form the following reportable segments.

Information regarding the Group's reportable segments as provided to the Executive Directors for the purposes of resource allocation and assessment of segment performance for the period ended 30 June 2018 and 2017 is set out below:

	Six months ended 30 June 2018 (Unaudited)						Total RMB'000
	Funeral services				Subtotal RMB'000	Elderly care services	
	Taiwan RMB'000	Hong Kong RMB'000	PRC RMB'000	Vietnam RMB'000		Taiwan RMB'000	
Reportable segment revenue							
— Revenue from external customers	1,427	717	29,234	131	31,509	—	31,509
Reportable segment profit/(loss)	(2,269)	5	4,513	(1,010)	1,239	(610)	629

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

There are no inter-segment sales for the six months ended 30 June 2018 and 2017.



Segment results represent the profit/(loss) generated by each segment without allocation of valuation gain/(loss) on investment property, other revenue and other net gain/(loss), central administration costs, finance costs and income tax. This is the measure reported to the Executive Directors for the purposes of resources allocation and assessment of segment performance.

The following table presents segment assets and segment liabilities of the Group's reportable segments as at 30 June 2018 and 2017:

	At 30 June 2018 (Unaudited)						Total RMB'000
	Funeral services				Subtotal RMB'000	Elderly care services	
	Taiwan RMB'000	Hong Kong RMB'000	PRC RMB'000	Vietnam RMB'000		Taiwan RMB'000	
Reportable segment assets	152,995	739	53,662	18,296	225,692	8,130	233,822
Reportable segment liabilities	99,295	702	13,740	3,199	116,936	1,060	117,996

	At 31 December 2017 (Audited)						Total RMB'000
	Funeral services				Subtotal RMB'000	Elderly care services	
	Taiwan RMB'000	Hong Kong RMB'000	PRC RMB'000	Vietnam RMB'000		Taiwan RMB'000	
Reportable segment assets	140,421	696	35,506	18,815	195,438	8,515	203,953
Reportable segment liabilities	103,958	754	10,560	2,632	117,904	772	118,676

*Reconciliation of reportable segment profit or loss*

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Total reportable segment profit/(loss) derived from		
Group's external customers	<b>629</b>	(303)
Other gains	<b>1,043</b>	1,281
Finance costs	<b>(190)</b>	(101)
Unallocated head office and corporate expenses		
— Depreciation and amortisation	<b>(530)</b>	(52)
— Staff costs (including directors' emoluments)	<b>(1,396)</b>	(1,204)
— Operating lease charges:		
minimum lease payments	<b>(63)</b>	(21)
— Others	<b>(1,997)</b>	(731)
Consolidated loss before taxation	<b>(2,504)</b>	(1,131)



## 5. OTHER GAINS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	222	271
Total interest income on financial assets not at fair value through profit or loss	222	271
Sundry income	—	549
Rental income from investment property	167	116
Gain on disposal of property, plant and equipment	—	1
Net exchange gain	654	(28)
Net gain on terminated and lapsed funeral services deeds	—	20
Net realised and unrealised gain on financial assets designated as at fair value through profit or loss	—	352
	<b>1,043</b>	<b>1,281</b>

## 6. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>(a) Finance costs</b>		
Interests on bank borrowings	190	101
Total interest expenses on financial liabilities not at fair value through profit or loss	190	101
<b>(b) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	6,813	8,021
Contributions to defined contribution retirement plans	1,178	1,048
	7,991	9,069
<b>(c) Other items</b>		
Amortisation of prepaid lease payments	—	42
Amortisation of intangible assets	380	399
Cost of inventories	4,091	4,051
Gross rental income from investment property	(167)	(116)
Depreciation	1,575	1,606
Operating lease charges:		
minimum lease payments		
— rented premises	60	186
— hire of plant and equipment	3	4
— hire of funeral parlours and funeral service centres	5,050	5,049
Operating lease charges:		
contingent rents		
— hire of funeral parlours and funeral service centres	335	234



## 7. INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
— PRC Enterprise Income Tax (note (c))	600	423
(Over)/underprovision of current tax in prior years		
— PRC Enterprise Income Tax (note (c))	—	17
	<b>600</b>	<b>440</b>

### Notes:

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2018 (2017: Nil).
- (b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands, Samoa and the British Virgin Islands for the six months ended 30 June 2018 (2017: Nil).
- (c) The subsidiaries operating in the PRC are subject to Enterprise Income Tax at 25% (2017: 25%) in accordance with the Law of the People's Republic of China on Enterprises Income Tax (中華人民共和國企業所得稅法) except that Chongqing Xizhou Funeral Service Company Limited (“Chongqing Xizhou”), an indirect wholly-owned subsidiary of the Company, is entitled to a preferential tax rate of 15% (2017: 15%) in accordance with 西部大開發企業所得稅優惠, which is retrospectively applied to Chongqing Xizhou from January 2011 and, provided that the conditions precedent to entitlement of preferential tax rate are fulfilled by Chongqing Xizhou in each of subsequent years, the preferential tax rate can be applied to Chongqing Xizhou up to December 2020. For the six months ended 30 June 2018, Chongqing Xizhou is subject to enterprise income tax rate at 15% (2017: 15%).



- (d) Bau Shan Life Science Technology Co., Ltd. (“Bau Shan”), a direct subsidiary of the Company, and Bao De Life Enterprise Co., Ltd. (“Bao De”) and Bu Lao Lin Limited (“BLL”), the indirect subsidiaries of the Company, are subject to Taiwan Enterprise Income Tax at 17% (2017: 17%) on taxable profits determined in accordance with the Income Tax Act and other relevant laws in Taiwan. No provision for Taiwan Enterprise Income Tax has been made as Bau Shan and Bao De has no assessable profits for the six months ended 30 June 2018 (2017: Nil).
- (e) Bao Son Life Company Limited (“Bao Son Life”) and Hoan Loc Viet Duc Hoa Corporation (“HLV Duc Hoa”), indirect non-wholly-owned subsidiaries of the Company, are subject to Vietnam Corporate Income Tax at 20% (2017: 20%), on taxable profits determined in accordance with the relevant laws and regulations in Vietnam. No provision for Vietnam Corporate Income Tax has been made as Bao Son Life and HLV Duc Hoa have no assessable profits for the six months ended 30 June 2018 (2017: Nil).

## 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 2018 are based on the unaudited loss attributable to owners of the Company of RMB2,355,000 (2017: RMB1,203,000) and RMB2,869,000 (2017: RMB1,332,000) respectively and the weighted average number of ordinary shares of 742,500,000 (2017: 742,500,000 shares) and 742,500,000 (2017: 742,500,000 shares) in issue during the periods.

### (b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the three months and six months ended 30 June 2018 and 2017 as the impact of the share options had anti-dilutive effect on the basic loss per share amounts presented. Therefore, the calculation of the diluted (loss)/earnings per share is based on the unaudited loss attributable to owners of the Company of RMB2,355,000 (2017: RMB1,203,000) and RMB2,869,000 (2017: RMB1,332,000) respectively and the weighted average number of ordinary shares of 742,500,000 (2017: 742,500,000 shares) and 742,500,000 (2017: 742,500,000 shares) in issue during the periods.



## 9. DIVIDENDS

The directors do not recommend payment of interim dividend for the six months ended 30 June 2018 (2017: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

### (a) Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of RMB1,253,000 (2017: RMB1,337,000). Items of property, plant and equipment with carrying amounts of RMB2,454,000 were disposed of during the six months ended 30 June 2018 (2017: RMB4,000), resulting in a loss on disposal of RMB1,693,000 (2017: RMB1,000).

### (b) Valuation

The freehold land and buildings held by the Group for own use at 30 June 2018 were carried at their fair values as determined by the directors with reference to recent market transactions for similar properties.

During the six months ended 30 June 2018, the revaluation surplus of RMB237,000 (2017: RMB79,000) have been recognised in other comprehensive income/(loss) and accumulated in properties revaluation reserve, and recognised in profit or loss for the period respectively.

## 11. INVESTMENT PROPERTY

### Valuation

The investment property held by the Group at 30 June 2018 and 2017 was carried at its fair value as determined by the directors with reference to recent market transactions for similar properties.

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

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Mutual funds/unit trusts, at fair value		
Established in Taiwan (note (a))	<b>33,937</b>	37,098

Notes:

- (a) According to the Mortuary Service Administration Act (殯葬管理條例) in Taiwan, which was first promulgated on 17 July 2002 and further amended on 1 July 2003 and 4 July 2007, the Group has to deposit 75% of the gross receipt of each funeral services deed entered into after 31 July 2003 in financial institutions in Taiwan as trust monies.

The trust monies have been invested, in mutual funds and unit trusts in Taiwan, which were managed by fund managers of these financial institutions in Taiwan. The mutual funds and unit trusts comprise a basket of financial assets including local and foreign currencies bank deposits, bonds and equity securities listed in Taiwan and other foreign stock markets.

Financial assets designated as at FVTPL are presented within “operating activities” as part of changes in working capital in the consolidated statement of cash flows. The Group has obtained a net realised and unrealised gain of approximately RMB68,000 for the six months ended 30 June 2018 (2017: RMB352,000). The net realised and unrealised gain of the above financial assets are recorded in “other net (loss)/gain” in the consolidated statement of profit or loss.

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



### 13. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Trade receivables (note)	1,216	251
Other receivables	20,610	7,429
Less: allowance for impairment loss	(4,650)	(4,650)
	15,960	2,779
Loans and receivables	17,176	3,030
Deposits and prepayments	34,904	40,769
	52,080	43,799
Representing:		
Current	51,080	42,799
Non-current	1,000	1,000
	52,080	43,799

Note:

Trade receivables are net of allowance for doubtful debts of RMB Nil (2017: RMB Nil) with the following analysis by age presented based on the date of sales of goods or service rendered as at the end of the reporting period:

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
0 to 180 days	1,002	126
181 to 365 days	89	7
1 year to 2 years	125	118
	1,216	251

The average credit period on sales, except for sale of burial plots, granted to customers is 45 days (2017: 45 days).

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

## 14. TRADE AND OTHER PAYABLES

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade payables (note)	<b>1,333</b>	1,267
Accruals and other payables	<b>15,789</b>	9,180
Financial liabilities measured at amortised cost	<b>17,122</b>	10,447

Note:

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

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
0 to 30 days	<b>515</b>	690
31 days to 90 days	<b>110</b>	139
Over 90 days	<b>708</b>	438
	<b>1,333</b>	1,267



## 15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

#### *Fair value hierarchy*

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

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

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

	Fair value measurements as at 30 June 2018 categorised into				
	Fair value at 30 June 2018 RMB'000 (Unaudited)	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
	Recurring fair value measurement				
	Financial assets:				
Financial assets designated as at FVTPL					
— Mutual funds/unit trusts	33,937	33,937	—	—	

  

	Fair value measurements as at 31 December 2017 categorised into				
	Fair value at 31 December 2017 RMB'000 (Audited)	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
	Recurring fair value measurement				
	Financial assets:				
Financial assets designated as at FVTPL					
— Mutual funds/unit trusts	37,098	37,098	—	—	

During the six months ended 30 June 2018, there were no transfer between instrument in Level 1 and Level 2 or transfers into or out of Level 3 (2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



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

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

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 30 June 2018.

## **16. CAPITAL COMMITMENTS**

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

	<b>At 30 June 2018 RMB'000 (Unaudited)</b>	<b>At 31 December 2017 RMB'000 (Audited)</b>
Capital expenditure contracted but not provided for:		
— Property, plant and equipment	—	23
— Investment in a joint venture	<b>6,500</b>	6,500
	<b>6,500</b>	6,523



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business review

During the six months ended 30 June 2018, the Group recorded a total revenue of approximately RMB31,509,000, an increase of RMB2,421,000 or approximately 8.32% over the same period in last year.

### *The PRC*

Funeral business in the PRC continues to be the driving force of the Group's operations. The Group's revenue derived from the PRC market was approximately RMB29,234,000 for the six months ended 30 June 2018, representing an increase of approximately 7.27% from the corresponding period last year, and accounted for approximately 92.78% of the Group's revenue.

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

### *Taiwan*

Revenue derived from the Taiwan market was approximately RMB1,427,000 for the six months ended 30 June 2018, representing an increase of approximately 47.72% from the corresponding period last year, and accounted for approximately 4.53% of the Group's revenue.

### *Hong Kong*

Revenue derived from the Hong Kong market was approximately RMB717,000 for the six months ended 30 June 2018, representing an increase of approximately 2.28% from the corresponding period last year, and accounted for approximately 42.54% of the Group's revenue.

In Taiwan and Hong Kong, the Group is principally engaged in the sales of funeral services deeds, which was accounted for by the Group as receipt in advance, and provision of funeral arrangement services to funeral services deed holders and other customers, which are accounted for by the Group as revenue.



## *Vietnam*

The Group's revenue derived from the sales of burial plots in Vietnam was approximately RMB131,000 for the six months ended 30 June 2018 and accounted for 0.41% of the Group's revenue.

## **Financial Review**

For the six months ended 30 June 2018, the Group's revenue was increased, comparing with the corresponding period of last year. The increase was mainly due to an overall increase in revenue of the Group's geographical business.

Cost of sales for the six months ended 30 June 2018 was approximately RMB16,200,000, increasing by approximately 26.5% compared with the corresponding period in 2017. The increase in cost of sales was mainly attributable to the increase in the revenue of the Group's funeral services.

The other gains for the six months ended 30 June 2018 was approximately RMB1,043,000 compared with RMB1,281,000 for the corresponding period in 2017. The decrease was mainly due to a decrease of sundry income.

Selling expenses for the six months ended 30 June 2018 increased by approximately 63.1% to approximately RMB4,498,000 as compared with the corresponding period in 2017. The increase in the amount of selling expenses was mainly attributable to increase in commission expenses as the increase in the revenue for the period.

Administrative expenses decreased by approximately 28.5% to approximately RMB11,261,000 for the six months ended 30 June 2018 as a result of decrease in repairs and maintenance expenses as well as decrease in number of staff.

The loss attributable to the owners of the Company for the six months ended 30 June 2018 was approximately RMB2,869,000 (2017: RMB1,332,000) as a result of the cumulative effect from the above-mentioned factors.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group maintains a healthy and sound financial position. As at 30 June 2018, the Group had bank balances and cash of approximately RMB101,345,000 (31 December 2017: approximately RMB98,186,000) and bank borrowings of approximately RMB9,354,000 (31 December 2017: approximately RMB10,130,000). All bank borrowings were denominated in New Taiwan Dollars and United States Dollars at prevailing market interest rates. As at 30 June 2018, the Group had no other material capital commitments, material contracts or significant investment plans, except those disclosed in this report. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity facilities to meet operation requirements and acquisition opportunities. The gearing ratio representing the ratio of total borrowings to the total assets of the Group which was approximately 3.9% as at 30 June 2018 (31 December 2017: 4.3%).

### **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES**

The Group's operations are geographically based in the PRC, Taiwan, Hong Kong and Vietnam. The revenue derived from Taiwan accounted for approximately 4.5% (2017: approximately 3.3%); Hong Kong accounted for approximately 2.3% (2017: approximately 1.7%) and; Vietnam accounted for approximately 0.4% (2017: 1.3%) of the total revenue for the six months ended 30 June 2018. The consolidated financial statements of the Group are presented in Renminbi, while a portion of the revenue and expenses are denominated in New Taiwan Dollar, Hong Kong Dollar and Vietnamese Dong. It is possible that the value of Renminbi may fluctuate in value against that of the New Taiwan Dollar, Hong Kong Dollar and Vietnamese Dong. The Group's operations results and financial condition may be affected by changes in the exchange rates of Renminbi against the New Taiwan Dollar, Hong Kong Dollar and Vietnamese Dong in which the Group's revenue and expenses are denominated. As at 30 June 2018, the Group did not have any borrowings, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.



## **SIGNIFICANT ACQUISITIONS AND DISPOSAL OF INVESTMENTS**

The Group did not have any significant acquisition or disposal of investment for the six months ended 30 June 2018.

## **CHARGE ON GROUP ASSETS**

As at 30 June 2018, the carrying amounts of property, plant and equipment as security for the Group's bank borrowings were approximately RMB20,140,000 (31 December 2017: RMB18,877,000).

## **THE NUMBER AND REMUNERATION OF EMPLOYEES**

As at 30 June 2018, the Group employed 199 employees (31 December 2017: 209). The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group did not have any significant contingent liabilities (2017: Nil).

## **PROSPECTS**

While the PRC market is experiencing a slowdown in economic growth, general consumption continues to rise; as such, it is still considered by the Group to be the focus of future business development. The Group's management will continue to apply its professional and unique business model effectively to divisions in different regions, and at the same time also actively expand its market and seek other regions with potential and tremendous business opportunities, in order to expand its business scope and increase its market share.

The Group's businesses are relatively concentrated in the PRC market, where the industry of its businesses is rather stable, and having recorded growth for the half year ended 30 June 2018. It is anticipated that with an aging population and a rising trend in mortality rate in the PRC, the potential demand for funeral parlours and funeral services is expected to grow increasingly; at the same time, demand for quality funeral related services and more professional service providers will also be increasingly strong. Accordingly, the Directors expect that the Group's business is still able to maintain steady growth in the second half of 2018, although the ever-growing number of funeral service providers will also put some pressure on the Group's performance.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2018, the relevant interests and short positions of the Directors or chief executive in the shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

#### *Aggregate long positions in the Shares*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
LIU Tien-Tsai	Personal	87,709,000	11.81%



## Substantial Shareholders' Interests and Short Positions in The Shares and Underlying Shares

### *Aggregate Long Positions in the Shares*

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Hong Kong Gaoqi Biological Technology Company Limited	Beneficial	200,475,000	27.00%

Note: The Company's director Mr. Xu Jianchun is also a director of Hong Kong Gaoqi Biological Technology Company Limited and holds 25% interests of its issued share capital.

Save as disclosed above and the Directors' interests as disclosed in "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation", no person had interests in shares or short positions in the shares of the Company or underlying shares which are required to be recorded in the register to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance as at 30 June 2018.

### **Competing business**

As at 30 June 2018, none of the Directors, or any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and which was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective associates (as defined under the GEM Listing Rules) had any interest in a business, which competed or might compete with the business of the Group.

## Share option scheme

Pursuant to the written resolutions of the shareholders of the Company dated 24 August 2009, a share option scheme ("Share Option Scheme") was approved and adopted. The major terms of the Share Option Scheme are summarised as follows:

- (a) The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants who have contributed or may contribute to the Group as incentive or rewards for their contributions to the Group.
- (b) The participants include (i) any employee or proposed employee of the Company and/or any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive directors and any non-executive directors (including independent non-executive directors) of the Company, any of such subsidiaries or any Invested Entity; and (ii) any consultants, advisers, agents, partners or joint-venture partners of the Company and/or any of its subsidiaries.
- (c) The exercise price of a share option under the Share Option Scheme will not be less than the highest of (i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (ii) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (iii) the nominal value of a share on the offer date of the particular option.
- (d) The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the shares in issue on the day on which trading of the Company's shares commenced on GEM ("General Scheme Limit").

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



- (e) Unless approved by the Company's shareholders, the total number of shares issued and to be issued upon exercise of the options granted to any participants in any twelve-month period must not exceed 1% of the shares in issue at the date of the grant of the options.
- (f) An offer shall be made to eligible participants in writing and shall remain open for acceptance by the eligible participants concerned for a period of 30 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the scheme. An offer shall be deemed to have been accepted by the eligible participant concerned in respect of all shares which are offered to such participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant, together with a non-refundable remittance in favour of the Company of HK\$10 by way of consideration for the grant thereof is received by the Company, within such time as may be specified in the offer.
- (g) The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 10 years from the date of grant of the share option.
- (h) An option shall be exercisable in whole or in part in the circumstances by giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for shares in respect of which the notice is given.



Details of the share options granted and remaining outstanding as at 30 June 2018 are as follows:

Name/category of participants	Date of grant	Exercise price per share	Exercise period	Number of share options		
				At 1 January 2018	Lapsed	At 30 June 2018
Continuous contract employees	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	6,332,000	—	6,332,000
Consultants	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	41,900,000	—	41,900,000
				<b>48,232,000</b>	<b>—</b>	<b>48,232,000</b>

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

Save as disclosed above, as at 30 June 2018, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates have been granted share options under the Share Option Scheme.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2018, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

## CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the three months ended 30 June 2018.



## SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings as set out in its code of conduct regarding securities transactions by Directors.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as stated in the Prospectus and the announcement (the "Announcement") by the Company on 8 December 2015 with the Group's actual business progress for the period from 9 September 2009 (the "Listing Date") to 30 June 2018 is set out below:

<b>Business objectives for the period from the Listing Date to 30 June 2018 as stated in the Prospectus and the Announcement</b>	<b>Actual business progress up to 30 June 2018</b>
1. Expand funeral services network in other major cities by entering into funeral-services agreement	<p>The Group has implemented two of the memoranda of understanding (the "MOU") disclosed in the "Future Plan and Prospects" section of the Prospectus.</p> <p>The Group is in the process of negotiating the terms with the owners of remaining funeral parlours and new funeral service centres.</p>

**Business objectives for the period from the Listing Date to 30 June 2018 as stated in the Prospectus and the Announcement**

**Actual business progress up to 30 June 2018**

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- The Group has also signed other two new subcontracting agreements during 2010.
- The Group has commenced business in Vietnam during 2013.
2. Purchase of funeral service equipment and facilities
- The Group has completed the purchase of advanced equipment and facilities designated for funeral.
- As disclosed in the Announcement, the Board resolved to change the application of the remaining net proceeds of the Placing as points 5 and 6 below.
3. Refurbishment of new and existing service centres
- The Group has completed the decoration and improvement of funeral parlour and services centres.
4. Expansion of marketing network
- The Group has completed the establishment of the website and organized and sponsored a forum and research on the funeral industry.



**Business objectives for the period from the Listing Date to 30 June 2018 as stated in the Prospectus and the Announcement**

**Actual business progress up to 30 June 2018**

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- |  |   |
|--|---|
| 5. Consideration for the Acquisition   | The Group has completed the Acquisition on 31 March 2016.   |
| 6. Expansion of the business into the market on the golden-ager and elderly care | The Group has started the acquisition of related property, plant and equipment. However, due to the business development not achieving expected results, resource allocation is deferred. |

Pursuant to the movements in the use of proceeds disclosed in the Announcement and the Interim results issued on 1 August 2017, all remaining net proceeds from issuance of new shares of the Group have been used as stated in the Prospectus and the disclosure initiative in the Announcement, except for the remaining approximate RMB7,370,000 out of the approximate RMB11,721,000 planned to be used for the expansion of the business into the market on the golden-ager and elderly care.

The Directors will further review the market performance of the nursing care businesses of golden-agers and the elderly and the development of other businesses of the Group, in order to use the remaining proceeds flexibly. As at 30 June 2018, all remaining proceeds have been placed as interest bearing deposits in banks.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. Mr. LEE Koon Hung resigned as independent non-executive Director and member of the audit committee on 17 April 2018. Mr. WANG Jun was appointed as independent non-executive Director and member of the audit committee on the same day. As at 30 June 2018, the audit committee comprises three independent non-executive Directors, namely Mr. SUN Fei (chairman of the audit committee), Mr. CHAI Chung Wai, and Mr. WANG Jun.

The audit committee has reviewed the financial statements of the Group for the six months ended 30 June 2018 pursuant to the relevant provisions contained in the code provisions and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

14 August 2018

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