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First Quarterly 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.

CONDENSED CONSOLIDATED QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (UNAUDITED)

The board of Directors (the "Board") is hereby to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2018 together with the comparative unaudited figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

	Notes	Three months ended 31 March 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	18,058	14,807
Cost of sales		(8,373)	(5,711)
Gross profit		9,685	9,096
Other revenue		196	599
Selling expenses		(2,682)	(1,389)
Administrative expenses		(6,464)	(8,107)
Other operating expenses		(799)	(147)
(Loss)/profit from operations		(64)	52
Finance costs		(45)	(53)
Loss before taxation		(109)	(1)
Income tax	4	(418)	(259)
Loss for the period		(527)	(260)
Other comprehensive income for the period, net of income tax		1,094	9,416
Comprehensive income for the period, net of income tax		567	9,156
Loss attributable to:			
Owners of the Company		(514)	(129)
Non-controlling interests		(13)	(131)
		(527)	(260)
Total comprehensive profit attributable to:			
Owners of the Company		633	9,316
Non-controlling interests		(66)	(160)
		567	9,156
Loss per share	6		
Basic and diluted		RMB(0.07) cents	RMB(0.02) cents



COMBINED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	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	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (audited)	69,218	220,633	(16,261)	790	1,550	2,107	(17,857)	7,676	(133,986)	133,870	(1,252)	32,618
Loss for the period	-	-	-	-	-	-	-	-	(129)	(129)	(131)	(260)
Exchange differences on translation of financial statements of non-PRC operations	-	-	-	-	-	-	9,445	-	-	9,445	(29)	9,416
Other comprehensive income/(loss)	-	-	-	-	-	-	9,445	-	-	9,445	(29)	9,416
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	9,445	-	(129)	9,316	(160)	9,156
Lapse of share option granted	-	-	-	-	-	-	-	(294)	294	-	-	-
At 31 March 2017 (unaudited)	69,218	220,633	(16,261)	790	1,550	2,107	(8,412)	7,382	(133,821)	143,186	(1,412)	141,774
At 1 January 2018 (audited)	69,218	220,633	(16,261)	790	1,550	2,350	(17,775)	7,345	(153,297)	114,553	(2,464)	112,089
Loss for the period	-	-	-	-	-	-	-	-	(514)	(514)	(13)	(527)
Exchange differences on translation of financial statements of non-PRC operations	-	-	-	-	-	-	1,147	-	-	1,147	(53)	1,094
Other comprehensive income/(loss)	-	-	-	-	-	-	1,147	-	-	1,147	(53)	1,094
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	1,147	-	(514)	633	(66)	567
Lapse of share option granted	-	-	-	-	-	-	-	(251)	251	-	-	-
At 31 March 2018 (unaudited)	69,218	220,633	(16,261)	790	1,550	2,350	(16,628)	7,094	(153,560)	115,186	(2,530)	112,656

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on GEM of the Stock Exchange on 9 September 2009.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated first quarterly financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the company. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The unaudited condensed consolidated third quarterly financial statements have been prepared under the historical cost convention, as modified by investment property, freehold land and buildings and, financial assets designated as at fair value through profit or loss.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgements in the process of applying the Group's accounting policies.



The accounting policies adopted in the 2017 annual financial statements have been consistently applied to these financial statements except that in the current period, the Group has applied for the first time certain new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2018. The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

These unaudited condensed consolidated third quarterly financial statements are presented in Renminbi and all values are rounded to the nearest thousand, unless otherwise stated.

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

3. REVENUE

The amount of each significant category of revenue recognised in revenue for each of the three months ended 31 March 2018 and 2017 (“the Periods”) is as follows:

	Three months ended 31 March	
	2018	2017
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Funeral services provided in funeral parlours and funeral services centres under the Group’s management	13,377	10,523
Cremation services	3,602	3,499
Funeral arrangement services	999	633
Sales of burial plots	80	152
	18,058	14,807

The following table sets out information about the geographical location of the Group's revenue from external customers.

Revenues from external customers

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	16,979	14,022
Taiwan	691	364
Hong Kong	308	269
Vietnam	80	152
Total	18,058	14,807

4. INCOME TAX

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the Periods.
- (b) The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands ("BVI") for the Periods.
- (c) The subsidiaries operating in the PRC are subject to enterprise income tax rate at 25% for the Periods 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% for the enterprise income tax 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. Xizhou is subject to enterprise income tax rate at 15% for the Periods.



- (d) Bau Shan Life Science Technology Co., Ltd. (“Bau Shan”), a direct subsidiary of the Company is subject to Taiwan Enterprise Income Tax at 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 has no assessable profits for the Periods.
- (e) Bao Son Life Company Limited (“Bao Son Life”) and Hoan Loc Viet Duc Hoa Corporation (“HLV Duc Hoa”), the indirect non-wholly-owned subsidiaries of the Company, are subject to Vietnam Corporate Income Tax at 20% and 20%, respectively, 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 Periods.

5. DIVIDENDS

The Directors do not recommend payment of any dividend for the three months ended 31 March 2018 (2017: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2018 is based on the loss attributable to owners of the Company of RMB514,000 (2017: RMB129,000) and the weighted average number of 742,500,000 ordinary shares (2017: 742,500,000 shares) in issue during the year.

Diluted loss per share is equal to basic loss per share as the impact of the ordinary share had no potential dilutive effect on the basic loss per share during the periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The PRC

The Group's revenue derived from the PRC market was RMB16,979,000 for the three months ended 31 March 2018 (2017: RMB14,022,000), representing an increase of approximately 21% from the corresponding period last year, and accounted for 94% 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 RMB691,000 for the three months ended 31 March 2018 (2017: RMB364,000), representing an increase of 90% from the corresponding period last year, and accounted for approximately 3.8% of the Group's revenue.

Hong Kong

Revenue derived from the Hong Kong market was RMB308,000 for the three months ended 31 March 2018 (2017: RMB269,000), representing an increase of approximately 14% from the corresponding period last year, and accounted for approximately 1.7% of the Group's revenue.

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



Vietnam

The Group's revenue derived from the sales of burial plots in Vietnam was approximately RMB80,000 for the three months ended 31 March 2018 (2017: RMB152,000), representing a decrease of 53% from the corresponding period last year, and accounted for approximately 0.5% of the Group's revenue.

Financial Review

For the three months ended 31 March 2018, the Group's revenue was approximately RMB18,058,000, representing an increase of 22% for the corresponding period of last year. The rise was mainly due to the increase in revenue of the Group's funeral services business in Chongqing, the PRC.

Cost of sales for the three months ended 31 March 2018 was approximately RMB8,373,000 (2017: RMB5,711,000), increasing by approximately 47% compared with the corresponding period in 2017. The increase in cost of sales was mainly attributable to the increases in the revenue of the Group's funeral services and cost of sales.

The other revenue for the three months ended 31 March 2018 was approximately RMB196,000 (2017: RMB599,000), a drop of RMB403,000 compared with for the corresponding period in 2017.

Compared with the corresponding period in 2017, selling expenses increased by approximately 93% to approximately RMB2,682,000. The increase in the amount of selling expenses was mainly attributable to increase in commission expenses due to increase in revenue. Administrative expenses decreased by approximately 20% to approximately RMB6,464,000 as a result of savings.

The loss attributable to the owners of the Company for the three months ended 31 March 2018 was approximately RMB514,000 (2017: RMB129,000). Loss per share was RMB0.07 cents (2017: RMB0.02 cents).

The Group remained in a healthy and sound liquidity position as at 31 March 2018. The Group had no other material capital commitments, material contracts, contingent liabilities or significant investment plans. 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.

Prospects

The Directors believe that the Group's business is rather stable and its business is relatively concentrated in densely populated PRC cities. It is therefore expected that sales will continue to grow steadily. Management still strives to find business opportunities and creates value for shareholders.

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

As at 31 March 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 (Chapter 571 of the Laws of Hong Kong) ("SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Aggregate Long Positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
LIU Tien-Tsai	Beneficial	107,709,000	14.51%



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

Aggregate Long Positions in the Shares

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

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

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 31 March 2018.

Competing Business

As at 31 March 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. Details of the share options granted and remaining outstanding as at 31 March 2018 are as follows:

Name/category of participants	Date of grant	Exercise price per share	Exercise period	Number of share options		At 31 March 2018
				At 1 January 2018	Lapsed	
Continuous contract employees	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	8,028,000	(1,696,000)	6,332,000
Consultants	11 February 2010	HK\$1.18	11 August 2010 to 11 February 2020	41,900,000	-	41,900,000
				49,928,000	(1,696,000)	48,232,000

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 31 March 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 AND REDEMPTION OF THE LISTED SECURITIES

During the three months ended 31 March 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 31 March 2018.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 31 March 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. LEE Koon Hung. 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.

The audit committee has reviewed the financial statements of the Group for the three months ended 31 March 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

8 May 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.