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Third 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”)

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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 NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

The board of Directors (the “Board”) hereby presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and the nine months ended 30 September 2018 together with the comparative unaudited figures for the corresponding periods in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	14,284	14,699	45,793	43,787
Cost of sales		(2,852)	(4,563)	(19,052)	(17,370)
Gross profit		11,432	10,136	26,741	26,417
Other income		4,592	625	5,635	1,906
Selling expenses		(1,270)	(1,479)	(5,768)	(4,205)
Administrative expenses		(11,645)	(9,149)	(22,906)	(24,904)
Other operating expenses		541	(9)	(2,366)	(120)
Profit/(loss) from operations		3,650	124	1,336	(906)
Finance costs		(45)	(46)	(235)	(147)
Profit/(loss) before taxation		3,605	78	1,101	(1,053)
Income tax	4	(212)	(277)	(812)	(717)
Profit/(loss) for the period		3,393	(199)	289	(1,770)
Other comprehensive income/(loss) for the period					
Item that will not be reclassified to profit or loss:					
Surplus on revaluation of land and buildings held for own use		448	(1)	685	78
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of operations outside the People's Republic of China (“non-PRC operations”)		136	(3,302)	6,409	(4,187)
Other comprehensive income/(loss) for the period, net of income tax		584	(3,303)	7,094	(4,109)
Total comprehensive income/(loss) for the period, net of income tax		3,977	(3,502)	7,383	(5,879)



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

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
Note	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) attributable to:				
Owners of the Company	3,488	(93)	619	(1,425)
Non-controlling interests	(95)	(106)	(330)	(345)
	3,393	(199)	289	(1,770)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	3,817	(3,382)	7,533	(5,468)
Non-controlling interests	160	(120)	(150)	(411)
	3,977	(3,502)	7,383	(5,879)
Earnings/(loss) per share				
Basic and diluted	5	RMB0.47 cents	RMB(0.01) cents	RMB0.08 cents
			RMB(0.19) cents	

COMBINED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital	Share premium	Merger reserve	Statutory reserve	Statutory surplus reserve	Properties revaluation reserve	Foreign currency translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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)	132,618
Loss for the period	-	-	-	-	-	-	-	-	(1,425)	(1,425)	(345)	(1,770)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	78	-	-	-	78	-	78
Exchange differences on translation of financial statements of non-PRC operations	-	-	-	-	-	-	(4,121)	-	-	(4,121)	(66)	(4,187)
Other comprehensive income/(loss)	-	-	-	-	-	78	(4,121)	-	-	(4,043)	(66)	(4,109)
Total comprehensive income/(loss) for the period	-	-	-	-	-	78	(4,121)	-	(1,425)	(5,468)	(411)	(5,879)
Lapse of share option granted	-	-	-	-	-	-	-	(326)	326	-	-	-
At 30 September 2017 (unaudited)	69,218	220,633	(16,261)	790	1,550	2,185	(21,978)	7,350	(135,085)	128,402	(1,663)	126,739
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
Profit/(loss) for the period	-	-	-	-	-	-	-	-	619	619	(330)	289
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	685	-	-	-	685	-	685
Exchange differences on translation of financial statements of non-PRC operations	-	-	-	-	-	-	6,229	-	-	6,229	180	6,409
Other comprehensive income	-	-	-	-	-	685	6,229	-	-	6,914	180	7,094
Total comprehensive income/(loss) for the period	-	-	-	-	-	685	6,229	-	619	7,533	(150)	7,383
Lapse of share option granted	-	-	-	-	-	-	-	(251)	251	-	-	-
At 30 September 2018 (unaudited)	69,218	220,633	(16,261)	790	1,550	3,035	(11,546)	7,094	(152,427)	122,086	(2,614)	119,472



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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.

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. The Company and its subsidiaries are herein collectively referred to as the "Group".

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated third 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 nine months ended 30 September 2018 and 2017 ("the Periods") is as follows:

	Nine months ended	
	30 September	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Funeral services provided in funeral parlours and funeral services centres under the Group's management	34,497	31,831
Cremation services	8,199	9,092
Funeral arrangement services	2,845	2,465
Sales of burial plots	252	399
	45,793	43,787



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

Revenues from external customers

	Nine months ended	
	30 September	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The PRC	42,696	40,923
Taiwan	2,025	1,729
Hong Kong	820	736
Vietnam	252	399
Total	45,793	43,787

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. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share for the three months and nine months ended 30 September 2018 are based on the unaudited profit attributable to owners of the Company of approximately RMB3,488,000 (2017: loss of RMB93,000) and approximately RMB619,000 (2017: loss of RMB1,425,000) respectively and on the weighted average number of 742,500,000 (2017: 742,500,000) and 742,500,000 (2017: 742,500,000) ordinary shares in issue during the periods.

Diluted earnings/(loss) per share are equal to basic earnings/(loss) per share as the impact of the share options had anti-dilutive effect on the basic earnings/(loss) per share during the periods.

6. DIVIDENDS

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2018 (2017: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The PRC

The Group's revenue derived from the mainland of the PRC market was approximately RMB42,696,000 for the nine months ended 30 September 2018 (2017: RMB40,900,000), representing an increase of approximately 4.4% from the corresponding period last year, and accounted for approximately 93.2% of the Group's revenue.

In the mainland of 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 RMB2,025,000 for the nine months ended 30 September 2018 (2017: RMB1,700,000), representing an increase of approximately 19.1% from the corresponding period last year, and accounted for approximately 4.4% of the Group's revenue.

Hong Kong

Revenue derived from the Hong Kong market was approximately RMB820,000 for the nine months ended 30 September 2018 (2017: RMB700,000), representing an increase of approximately 17.1% from the corresponding period last year, and accounted for approximately 1.8% 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 RMB252,000 for the nine months ended 30 September 2018 (2017: RMB400,000), representing a decrease of approximately 37.0% from the corresponding period last year, and accounted for approximately 0.6% of the Group's revenue.

Financial review

For the nine months ended 30 September 2018, the Group's revenue was approximately RMB45,793,000, representing an increase of approximately 4.6% 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 nine months ended 30 September 2018 was approximately RMB19,052,000 (2017: RMB17,370,000), increasing by approximately 9.7% 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 net other income for the nine months ended 30 September 2018 was approximately RMB5,635,000 (2017: RMB1,906,000), a sharp increase of approximately RMB3,729,000 compared with for the corresponding period in 2017. The main reason is that there was a net foreign exchange gain incurred from translation of monetary assets and liabilities denominated in foreign currencies as a result of foreign currency fluctuation, and primarily due to the devaluation of Renminbi which is the Group's presentation currency.

Compared with the corresponding period in 2017, selling expenses increased by approximately 37.2% to approximately RMB5,768,000. 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 8.0% to approximately RMB22,906,000 as a result of savings.



The profits attributable to the owners of the Company for the nine months ended 30 September 2018 was approximately RMB619,000 (2017: loss of RMB1,425,000). Earnings per share was RMB0.08 cents (2017: loss per share of RMB0.19 cents).

The Group remained in a healthy and sound liquidity position as at 30 September 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 30 September 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
Mr. LIU Tien-Tsai	Beneficial	27,709,000	3.73%

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	220,475,000	29.69%

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 30 September 2018.



COMPETING BUSINESS

As at 30 September 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 30 September 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 September 2018
Continuous contract employees	11 February 2010	HK\$1.18	11 August 2010 to 10 February 2020	8,028,000	(1,696,000)	6,332,000
Consultants	11 February 2010	HK\$1.18	11 August 2010 to 10 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 30 September 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 nine months ended 30 September 2018, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 September 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 unaudited consolidated financial statements of the Group for the nine months ended 30 September 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 November 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.