NANJING SINOLIFE UNITED COMPANY LIMITED*
南京中生聯合股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock code: 3332)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 1.4% to RMB472.5 million (2016: RMB466.2 million).
- Gross profit decreased by approximately 6.5% to RMB305.6 million (2016: RMB326.7 million).
- Profit for the year decreased by approximately 88.1% to RMB10.8 million (2016: RMB90.6 million).
- Basic earnings per share decreased by 95.6% to RMB 0.44 cent (2016: RMB10 cents).
- The Board does not recommend the payment of any final dividend (2016: RMB6.00 cents per share) (2016: RMB56,777,902) for the year ended 31 December 2017 or any special dividend (2016: RMB4.57 cents per share) (2016: RMB43,222,098).

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Nanjing Sinolife United Company Limited* 南京中生聯合股份有限公司 (the "**Company**") is pleased to announce its consolidated final results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 (the "**Year**") together with the comparative figures for the year ended 31 December 2016 which are as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	2017 RMB'000	2016 RMB'000
Revenue	4	**472,490**	466,241
Cost of sales		**(166,893)**	(139,549)
Gross profit		**305,597**	326,692
Other income and gains	4	**7,252**	13,407
Selling and distribution expenses		**(190,761)**	(131,905)
Administrative expenses		**(83,090)**	(85,385)
Finance costs		**(1,815)**	–
Other expenses		**(23,319)**	(3,719)
Share of profit of a joint venture		**224**	426
Profit before tax		**14,088**	119,516
Income tax expense		**(3,245)**	(28,870)
Profit for the year		**10,843**	90,646
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		**(10,916)**	8,496
Total comprehensive (loss)/income for the year		**(73)**	99,142
Profit attributable to:			
Owners of the parent		**4,209**	87,232
Non-controlling interests		**6,634**	3,414
Profit for the year		**10,843**	90,646
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(6,150)**	92,750
Non-controlling interests		**6,077**	6,392
		(73)	99,142
		RMB	*RMB*
Earnings per share attributable to ordinary equity holders of the parent:			
— Basic and diluted	7	**0.44 cent**	10 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	**2017** **RMB'000**	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**99,139**	70,695
Prepaid land lease payments		**10,463**	10,710
Goodwill	*8*	**146,134**	153,387
Other intangible assets		**73,186**	77,575
Investment in a joint venture		**–**	6,304
Deferred tax assets		**16,036**	13,085
Pledged deposits		**–**	1,216
Other non-current assets		**6,144**	7,297
		351,102	340,269
Current assets			
Inventories		**163,329**	75,177
Trade receivables	*9*	**49,340**	39,674
Prepaid land lease payments		**247**	247
Prepayments, deposits and other receivables		**34,626**	9,996
Tax recoverable		**5,129**	–
Pledged deposits		**1,603**	367
Cash and cash equivalents		**269,592**	517,934
		523,866	643,395
Total assets		**874,968**	983,664
Current liabilities			
Trade payables	*10*	**14,164**	15,538
Other payables and accruals		**45,105**	51,346
Interest-bearing bank borrowings		**49,500**	–
Tax payables		**8,648**	18,020
		117,417	84,904
Net current assets		**406,449**	558,491
Total assets less current liabilities		**757,551**	898,760

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December

	Notes	**2017** **RMB'000**	2016 *RMB'000*
Non-current liabilities			
Interest bearing bank borrowings		**27,500**	–
Deferred tax liabilities		**14,345**	17,244
Provision		**678**	707
Total non-current liabilities		**42,523**	17,951
Net assets		**715,028**	880,809
Equity			
Equity attributable to owners of the parent			
Share capital		**94,630**	94,630
Reserves		**620,398**	728,594
Non-controlling interests		**–**	57,585
Total equity		**715,028**	880,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. CORPORATE INFORMATION

The Company is a joint stock limited liability company established in the People's Republic of China (the "**PRC**"). The address of its registered office is 30/F, Deji Building, 188 Chang Jiang Road, Xuanwu District, Nanjing, Jiangsu Province, PRC.

The Group is principally engaged in the manufacturing and sale of nutritional supplements and the sale of packaged health food products in the PRC, Australia and New Zealand.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

3. OPERATING SEGMENT INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the manufacturing and sale of nutritional supplements and the sale of packaged health food products in the PRC, Australia and New Zealand.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

Most of the group companies are domiciled in the PRC and the majority of the non-current assets are located in the PRC, New Zealand and Australia. The Group's revenue from external customers is primarily derived in the PRC, New Zealand and Australia.

The following is an analysis of the Group's revenue from its major markets:

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**303,968**	322,656
New Zealand	**149,031**	127,330
Australia	**7,071**	3,405
Vietnam	**1,917**	2,974
Others	**10,503**	9,876
	472,490	466,241

(c) Non-current assets

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**95,621**	128,431
New Zealand	**86,625**	29,191
Australia	**993**	1,358
	183,239	158,980

The non-current assets information above is based on the locations of the assets and excludes goodwill, an investment in a joint venture, deferred tax assets, pledged deposits and other non-current assets.

(d) Information about major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**472,244**	464,085
Rendering of services	**246**	2,156
	472,490	466,241
Other income		
Bank interest income	**3,300**	8,266
Government grants*	**3,572**	4,820
Short term investment income	**9**	79
Net exchange gain	**–**	98
Others	**352**	144
	7,233	13,407
Gain		
Gain on disposal of items of property, plant and equipment	**19**	–
	7,252	13,407

* Various government grants have been received for the Group's contribution to the development of local economy. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2017 *RMB'000*	2016 *RMB'000*
Cost of inventories sold	**163,535**	134,613
Amortisation of prepaid land lease payments	**247**	247
Amortisation of intangible assets	**3,709**	2,962
Auditor's remuneration	**1,950**	2,174
Depreciation of property, plant and equipment	**7,203**	8,444
Operating lease payments on properties and retail shops	**16,378**	19,211
Research and development expenses	**3,039**	2,232
Employment benefits expense (excluding Directors', supervisors' and chief executive's remuneration):		
Wages and salaries	**94,662**	90,249
Pension scheme contributions	**4,477**	6,578
Other benefits	**10,780**	7,683
Foreign exchange differences, net	**14,087**	(98)
Impairment of an investment in a joint venture	**5,959**	2,143
Impairment of trade and other receivables	**790**	297
Write-down of inventories to net realisable value	**97**	297
Bank interest income	**(3,300)**	(8,266)
Government grants	**(3,572)**	(4,820)
Gain on disposal of items of property, plant and equipment	**(19)**	–

6. DIVIDENDS

	2017 *RMB'000*	2016 *RMB'000*
Dividends approved and paid	**100,024**	129,007

Pursuant to the annual general meeting on 5 June 2017, the Company declared a dividend of RMB6.00 cents per share (2016: RMB6.75 cents per share) for the year ended 31 December 2016, totalling RMB56,777,902 (2016: RMB60,809,857) and a special dividend of RMB4.57 cents per share (2016: RMB7.57 cents per share), totalling RMB43,222,098 (2016: RMB68,197,128), which was paid in July 2017.

The Board does not recommend the payment of any final dividend (2016: RMB6.00 cents per share) for the year ended 31 December 2017 or any special dividend (2016: RMB4.57 cents per share).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 946,298,370 (2016: 875,738,080) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

The calculations of basic earnings per share are based on:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**4,209**	87,232

	2017	2016
Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**946,298,370**	875,738,080

8. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
Cost at 1 January	**153,387**	54,096
Acquisition of subsidiaries	**362**	97,980
Deduction of purchase consideration*	**(1,217)**	–
Impairment during the year	**(346)**	–
Exchange realignment	**(6,052)**	1,311
Cost at 31 December, net of accumulated impairment	**146,134**	153,387
Cost at 31 December		
Cost	**146,480**	153,387
Accumulated impairment	**(346)**	–
Net carrying amount	**146,134**	153,387

* This represents the adjustment of purchase consideration according to terms of agreement.

8. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash generating units (the "**CGUs**") for impairment testing:

- Good Health products CGU;
- Hejian products CGU;
- Living Nature products CGU; and
- Brandfolio CGU.

The carrying amounts of goodwill allocated to each of the CGUs are as follows:

	2017	2016
	RMB'000	*RMB'000*
Brandfolio	**346**	–
GHP products	**50,061**	55,272
Hejian products	**87,223**	87,223
Living Nature products	**8,850**	10,892
	146,480	153,387

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

9. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**50,049**	40,255
Impairment	**(709)**	(581)
	49,340	39,674

In general, the entities of the Group has no credit period granted to the retail customers and invoices would be due once they have been issued. The credit period offered by the Group to its distributors is generally 30 to 90 days. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

9. TRADE RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables (net of impairment losses) as of the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**37,273**	26,840
Over 1 month but within 3 months	**10,230**	11,154
Over 3 months but within 1 year	**1,813**	1,376
Over 1 year	**24**	304
	49,340	39,674

The movements in provision for impairment of trade receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**581**	284
Amount written off as uncollectible	**(662)**	–
Impairment losses recognised	**790**	297
	709	581

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB709,000 (2016: RMB581,000) with a carrying amount before provision of RMB709,000 (2016: RMB581,000).

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**37,166**	32,836
Less than 1 month past due	**7,885**	3,657
1–3 months past due	**1,628**	2,352
Over 3 months past due	**2,661**	829
	49,340	39,674

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. TRADE PAYABLES

The ageing analysis of trade payables as at the end of each reporting period, based on the invoice date is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**7,421**	11,645
Over 1 month but within 3 months	**3,786**	2,577
Over 3 months but within 1 year	**1,653**	1,078
Over 1 year	**1,304**	238
	14,164	15,538

The trade payables are non-interest-bearing and are normally settled on 30-40 day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With a view to promote the Group's future long-term development and expand its business scale, during the Year, the Group further diversified its various sales channels including TV shopping platforms, and at the same time strengthened the marketing of the Good Health brand. Due to the relatively low profit margin of new sales channels in the initial stage and the increase of marketing expenses, there was certain pressure on the Group's profit. Although the Group's revenue increased from RMB466.2 million in 2016 to RMB472.5 million in 2017, representing an increase of approximately 1.4%, the profit for the Year decreased from RMB90.6 million in 2016 to RMB10.8 million in 2017, representing a decrease of approximately 88.1%.

During the Year, the Group has achieved increasing brand recognition in the target markets through adopting the strategies of focusing on the Good Health brand, multiple channels marketing and diversified products. We carried out continuous brand building and promotion mainly through combination of retail shops under the Zhongsheng and the Good Health brands, TV shopping platforms and the online call centres of Hejian brand in the PRC, the mutual penetration of distributors under the Good Health and the Living Nature brands, chain pharmacies and travel channels in overseas, and at the same time by opening flagship stores on domestic and foreign major e-commerce platforms. As at 31 December 2017, the Group offered a total of 757 existing and new products, which consists of 96 Zhongsheng series products, 70 Cobayer series products, 350 Good Health series products, 113 Hejian series products and 128 Living Nature series products.

During the Year, in order to enhance the market competitiveness of its products and meet evolving consumer demands, the Group has adopted a market-oriented research and product development strategy to further strengthen the development of new products. During the Year, the Group has launched a total of 29 new products, including (among others) 9 Zhongsheng series products, 3 Hejian series products, 10 Good Health series products and 7 Living Nature series products. New products mainly comprise Zhongsheng Acer Truncatum Seed Oil Tablets (Pressed Candy), Zhongsheng Chitosan Oligosaccharide (Pressed Candy), Hejian L-Arabinose (Pressed Candy), Hejian Maitake D Fraction (Pressed Candy), Good Health Viralex Kids Chews, Good Health Pregnancy DHA and so on.

During the Year, the Group has put more effort in brand promotion and undergone continuous brand marketing and publicity through various channels in PRC and overseas. We continued to carry out the following marketing activities in the PRC: (i) seasonal promotions and discounts on major Chinese holidays; (ii) participation in trade fairs such as China International Nutritional Health Services Expo (中國國際營養健康產業博覽會), Imported Food Conference (進口食品展覽會) and China Health Industry Expo (中國大健康產業博覽會); (iii) cooperation with various domestic TV channels for TV shopping; and (iv) media advertising, print advertising in shopping malls and internet advertising.

In overseas markets, the Group promoted its brands through the following methods:

(i) advertising on mainstream media and TV channels of New Zealand for Turmeric series products and Weileshi (維樂士) series products;

(ii) acting as sponsor for the sports events of New Zealand Women's Basketball Team and Auckland Marathon;

(iii) online and offline promotions conducted jointly with distributors;

(iv) donation to the Heart Foundation of New Zealand; and

(v) celebrity endorsements such as Vanness Wu (吳建豪), Han Geng (韓庚) and New Zealand skiers.

The Group's fast growing retail network and diversified sales platform enables the Group to serve a broader customer base. The Group has a diversified sales platform with a wide geographic coverage of 17 cities in 10 provinces and centrally administered municipalities in the PRC as at 31 December 2017. The Group's diversified sales platform in the PRC primarily consists of 22 retail stores under the Zhongsheng brand in the form of 4 specialty stores and 18 regional sales offices, 7 retail stores under the Good Health brand and 5 retail stores under the Cobayer brand. The Zhongsheng retail stores are mainly located in central business districts, well-established residential areas and local transportation centres. The Good Health and Cobayer retail stores are mainly located in large and premium shopping malls. The Group has taken great effort to develop its TV shopping platforms during the Year and has currently built cooperation with 15 platforms including ocj.com.cn, Global Home Shopping, FS Shopping and CCTV Home Shopping to sell general trade and cross-border products.

The Group's overseas diversified sales platform mainly includes international distribution network broadly distributed in countries, including the United Kingdom, Germany, the Netherlands, Canada, Korea, Japan, Singapore, South Africa, Vietnam, Thailand, Malaysia, Indonesia and the United Arab Emirates, and local large chain pharmacies, health goods supermarkets and tourist souvenir shops in New Zealand and Australia. In addition, the Group has continued to cooperate with Alibaba, Tmall International, JD.com, vip.com, Health Post, Health Element and other e-commerce platforms in 2017.

FINANCIAL REVIEW

Results

The revenue of the Group in 2017 was RMB472.5 million, representing an increase of approximately 1.4% from RMB466.2 million in 2016. Profit for the Year decreased by approximately 88.1% to RMB10.8 million in 2017 from RMB90.6 million in 2016. The Company's basic earnings per share was RMB0.44 cent (2016: RMB10 cents) based on the weighted average number of 946.3 million (2016: 875.7 million) ordinary shares in issue for the Year. The increase in revenue of sales in 2017 was mainly attributable to the growth in sales of Good Health series products.

The decrease in profit for the Year was mainly due to (1) the slow-down of sales for Zhongsheng series products, (2) significant increase in the marketing expenses of the Good Health brand and (3) exchange loss of converting the United States Dollars ("**USD**") and Hong Kong Dollars ("**HKD**" or "**HK$**") to Renminbi ("**RMB**").

Revenue

The revenue of the Group increased by approximately 1.4% from RMB466.2 million in 2016 to RMB472.5 million in 2017. Sales of Zhongsheng series products decreased by approximately 26.9% from RMB175.0 million in 2016 to RMB128.0 million in 2017; sales of Hejian series products decreased by approximately 22.6% from RMB76.7 million in 2016 to RMB59.4 million in 2017; sales of Cobayer series products decreased by approximately 22.8% from RMB39.4 million in 2016 to RMB30.4 million in 2017; and sales of Good Health series products increased by approximately 40.8% from RMB162.8 million in 2016 to RMB229.3 million in 2017. The main reason for the above was that the Group has strengthened the marketing and promotion of the Good Health brand, and at the same time expanded sales channels of Good Health series products through cooperating with about 15 domestic TV shopping platforms to sell Good Health series products during the Year.

Gross profit

The Group's gross profit decreased from RMB326.7 million in 2016 to RMB305.6 million in 2017. The Group's average gross profit margin decreased from approximately 70.1% in 2016 to approximately 64.7% in 2017. Such decrease in gross profit margin was mainly due to the increase in the proportion of sales income of Good Health series products during the Year. Good Health series products were sold mainly through TV shopping platforms, distributors and online sales channels, which dragged down the average gross profit margin of the Group.

Other income and gains

The Group's other income and gains mainly comprised bank interest income and government grants, which decreased from RMB13.4 million in 2016 to RMB7.3 million in 2017.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 44.7% from RMB131.9 million in 2016 to RMB190.8 million in 2017, representing approximately 28.3% and 40.4% of the Group's revenue in 2016 and 2017 respectively. Such increase was primarily due to the increase in advertising and promotional expenses of approximately 161.2% from RMB32.2 million in 2016 to RMB84.1 million in 2017 for the purpose of enhancing the brand awareness of Good Health.

Administrative expenses

The Group's administrative expenses decreased by approximately 2.7% from RMB85.4 million in 2016 to RMB83.1 million in 2017, representing approximately 18.3% and 17.6% of the Group's revenue in 2016 and 2017 respectively. Such decrease was primarily due to the decrease in staff costs from RMB40.7 million in 2016 to RMB40.1 million in 2017 and the decrease in office expense from RMB34.8 million in 2016 to RMB32.5 million in 2017.

Taxation

Income tax expense decreased by approximately 88.9% from RMB28.9 million in 2016 to RMB3.2 million in 2017 due to the decrease in profit before tax during the Year.

The Group's effective tax rates in 2016 and 2017 were approximately 24.2% and 23.0% respectively.

Profit for the Year

As a result of the foregoing, the Group's profit for the Year decreased from RMB90.6 million in 2016 to RMB10.8 million in 2017. The decrease was mainly due to (1) the slow-down of sales of Zhongsheng series products which has a higher profit margin than other series products; (2) significant increase in the marketing and promotional expenses of the Good Heath brand; and (3) exchange loss of converting USD and HKD to RMB.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2017, the Group's cash and cash equivalents decreased by RMB248.3 million, which mainly comprised the net cash flows used in operating activities with the amount of RMB108.7 million, net cash flows used in investing activities with the amount of RMB113.8 million and net cash flows used in financing activities with the amount of RMB24.7 million, while RMB1.1 million was the net effect of foreign exchange rate changes.

Inventories

The Group's inventories amounted to RMB163.3 million (31 December 2016: RMB75.2 million) as at 31 December 2017. The Group's inventories comprise raw materials, work in progress, finished goods and goods merchandise. The inventories balances increased by approximately 117.2% compared with that of the previous year, which was mainly because the Group increased the procurement and production of Good Health and Cobayer products to cope with the demand from TV shopping platforms. With the subsequent growth in the sales of TV shopping platforms and the enhancement in supply chain management, the inventory balances are expected to decrease.

During the Year, inventory turnover was approximately 257 days (2016: 187 days). The longer inventory turnover period during the Year was primarily due to the Group's increased procurement and production of Good Health and Cobayer products to cope with the demand from TV shopping platforms.

Trade receivables

The Group's trade receivables amounted to RMB49.3 million (2016: RMB39.7 million) as at 31 December 2017 which represents an increase of 24.2%. It was mainly due to (1) the credit terms of 60 days granted to TV shopping platforms, and (2) expansion of local travel channels resources of Good Health in New Zealand. Sales from tourist souvenir shops and pharmacies continued to grow. The credit terms granted to distributors was usually 60 days.

Trade payables

The Group's trade payables amounted to RMB14.2 million (2016: RMB15.5 million) as at 31 December 2017 which represents a decrease of 8.4%. Turnover days for trade payables decreased to 33 days (2016: 36 days), which has no significant fluctuation. The decrease of trade payables was primarily because the cooperation with other brands sold by Brandfolio Limited ("**Brandfolio**") as an agent in prior years was terminated upon the acquisition of Brandfolio by Good Health during the Year.

Foreign exchange exposure

The Group conducts in-bound transactions principally in RMB and outbound transactions principally in New Zealand Dollar and Australian Dollar. In respect of the Group's risk exposure to exchange rate, the Group has adopted corresponding measures to adjust the structure of the Company's monetary capital. The Group had not utilised any financial instruments for hedging purposes as at 31 December 2017.

Borrowings and pledge of assets

The Group had loan balances of RMB77.0 million and pledge of assets (being the shareholding in Shanghai Weiyi Investment & Management Limited Company* (上海惟翊投資管理有限公司)) as at 31 December 2017.

Capital expenditure

The Group invested approximately RMB35 million in 2017 (2016: RMB26.9 million) for building research & development ("**R&D**") centre, plant and equipment.

Capital commitments and contingent liabilities

As at 31 December 2017, the Group had commitments for building R&D centre, plant and equipment of approximately RMB48.7 million (2016: RMB26.0 million).

OUTLOOK

In 2017, the Group implemented its critical strategic adjustments by vigorously exploring sales channels such as TV shopping platforms, call centres, and distributors to further boost the sales of Good Health and Hejian, as well as increasing the marketing expenses for Good Health to further enhance its brand awareness.

In 2018, the Group will continue to focus on technology research and development as well as brand building.

The Sinolife United Research and Development Centre has completed its Phase I project and will be in service. This centre will operate as one of the largest science and technology research facilities specialised in health food products across the globe. Its most comprehensive range of research equipment, which is operated by the developed research team to apply the most cutting-edge research technologies, will enable the Group to speed up the progress in its research projects with respect to health food products at home and abroad. With science and technology as the leading force, the Group is well prepared to undertake business ventures.

As a result of its extensive efforts to promote the brand awareness of Good Health in 2017, Good Health has fully transformed as a core brand of the Group with sound business channels, laying a solid foundation for our business success in 2018.

To promote health practices, the Group has been pursuing its corporate mission of "improving the physical status of people under sub-health conditions and making healthy people healthier" since its foundation. Thus, the Group has been incessantly and actively committed to explore the frontiers of both the healthcare industry and the science of human health.

In 2017, the PRC government successively introduced various favorable policies to promote national health, thus fully heralding the era of "a healthy China". The core values of the health industry are reflected by visions in leading a quality lifestyle, fulfilling wonderful wishes, as well as ensuring a secure, tranquil and comfortable life. These values are also the early visions in which the Group has always persisted. To deliver human health benefits, the Group will take practical actions to pursue and support the development of "a healthy China".

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. By providing comprehensive training and corporate culture education periodically, the employees are able to obtain on-going training and development in the nutritional supplements industry. Furthermore, the Group offers competitive remuneration packages commensurated with industry practice and provides various fringe benefits to all employees. The Group reviews its human resources and remuneration policies periodically to ensure they are in line with market practice and regulatory requirements. As at 31 December 2017, the Group employed a work force of 959. The total salaries and related costs for the year ended 31 December 2017 amounted to approximately RMB114.2 million (2016: RMB107.4 million).

MATERIAL ACQUISITION OF SUBSIDIARIES

The Company completed the acquisition of 40% of the equity interest in Shanghai Weiyi Investment & Management Limited Company* (上海惟翊投資管理有限公司) from Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.)* (上海復星惟翊一期股權投資基金合夥企業(有限合夥)) at a consideration of RMB65.0 million on 2 August 2017. After the completion of the acquisition, Shanghai Weiyi Investment & Management Limited Company became a wholly-owned subsidiary of the Company. Please refer to the circular of the Company dated 27 April 2017 in relation to the acquisition for further details.

Good Health, a subsidiary of the Company incorporated in New Zealand which previously owned 36% of the equity interest in Brandfolio, entered into an agreement with other shareholders of Brandfolio (being Martin & Pleasance Pty Ltd, Andrew Mark Smith and Mark Joseph Mathews) on 1 August 2017, pursuant to which, Good Health agreed to purchase the remaining 64% of the equity interest in Brandfolio at the consideration of 200,340 New Zealand Dollars. The consideration has been fully settled on 1 August 2017 and the completion took place on the same day. Therefore, Brandfolio has turned from a joint venture into a wholly-owned subsidiary of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The H shares of the Company were listed on the Stock Exchange on the date of Listing. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code governing the Directors in their dealings in the Company's securities.

The Company has made specific enquiry with the Directors and all the Directors confirmed that they have complied with the Model Code during 2017.

CODE OF CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during 2017.

NON-COMPETITION UNDERTAKINGS

Mr. Gui Pinghu and Ms. Wu Yanmei, both being the controlling shareholders (as defined in the Listing Rules) of the Company, have made non-competition undertakings in favour of the Company. They have confirmed compliance with the non-competition undertakings. The Board, including the independent non-executive Directors, is of the opinion that the relevant controlling shareholders have been in compliance with the non-competition undertakings in favour of the Company.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Jiang Fuxin, Ms. Feng Qing and Mr. Vincent Cheng. The audit committee of the Company is primarily responsible for the review and supervision of the financial reporting process, and risk management and internal control system. It has reviewed the accounting principles and practices adopted by the Company and the audited final results of the Group for the Year.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Year as set out in this announcement have been agreed by the Company's auditor, Ernst & Young to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on this announcement.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2017 or any special dividend.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be convened on Tuesday, 5 June 2018. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Saturday, 5 May 2018 to Tuesday, 5 June 2018, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM or any adjournment thereof, shareholders of the Company's H shares must lodge their share certificates and all the relevant instruments of transfer for registration with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Friday, 4 May 2018.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.zs-united.com. The annual report of the Company for the Year will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
Nanjing Sinolife United Company Limited
Gui Pinghu
Chairman

Nanjing, People's Republic of China, 29 March 2018

As of the date of this announcement, the executive Directors are Mr. Gui Pinghu, Ms. Zhang Yuan, Ms. Xu Li and Ms. Zhu Feifei; the non-executive Director is Mr. Xu Chuntao; and the independent non-executive Directors are Mr. Jiang Fuxin, Ms. Feng Qing and Mr. Vincent Cheng.