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 2018

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 4.1% to RMB453.2 million (2017: RMB472.5 million).
- Gross profit decreased by approximately 18.5% to RMB249.0 million (2017: RMB305.6 million).
- (Loss) for the Year was approximately RMB(112.8) million (2017: profit of RMB10.8 million).
- (Loss) per share was RMB(11.92) cents (2017: earnings per share RMB0.44 cent).
- The Board does not recommend the payment of any final dividend (2017: Nil) for the Year or any special dividend (2017: Nil).

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 2018 (the "**Year**") together with the comparative figures for the year ended 31 December 2017 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	**2018** **RMB'000**	2017 *RMB'000*
Revenue	*4*	**453,199**	472,490
Cost of sales		**(204,229)**	(166,893)
Gross profit		**248,970**	305,597
Other income and gains	*4*	**9,053**	7,252
Selling and distribution expenses		**(225,550)**	(190,761)
Administrative expenses		**(79,768)**	(83,090)
Finance costs		**(3,363)**	(1,815)
Other expenses		**(76,465)**	(23,319)
Share of profits of a joint venture		**–**	224
(Loss)/Profit before tax		**(127,123)**	14,088
Income tax credit/(expense)	*6*	**14,286**	(3,245)
(Loss)/Profit for the year		**(112,837)**	10,843
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, after tax:			
Exchange differences on translation of foreign operations		**1,363**	(10,916)
Total comprehensive loss for the year		**(111,474)**	(73)
(Loss)/Profit attributable to:			
Owners of the parent		**(112,837)**	4,209
Non-controlling interests		**–**	6,634
		(112,837)	10,843
Total comprehensive loss attributable to:			
Owners of the parent		**(111,474)**	(6,150)
Non-controlling interests		**–**	6,077
		(111,474)	(73)
		RMB	*RMB*
(Loss)/Earnings per share attributable to ordinary equity holders of the parent:			
— Basic and diluted for (loss)/profit	*8*	**(11.92) cents**	0.44 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**140,825**	99,139
Prepaid land lease payments		**10,216**	10,463
Goodwill	*9*	**77,269**	146,134
Other intangible assets		**69,707**	73,186
Deferred tax assets		**34,871**	16,036
Pledged deposit		**1,170**	–
Other non-current assets		**6,734**	6,144
Total non-current assets		**340,792**	351,102
Current assets			
Inventories		**110,904**	163,329
Trade receivables	*10*	**57,654**	49,340
Prepaid land lease payments		**247**	247
Prepayments, deposits and other receivables		**24,134**	34,626
Tax recoverable		**5,405**	5,129
Pledged deposit		**434**	1,603
Cash and cash equivalents		**201,411**	269,592
Total current assets		**400,189**	523,866
Total assets		**740,981**	874,968
Current liabilities			
Trade payables	*11*	**15,678**	14,164
Other payables and accruals		**73,211**	45,105
Interest-bearing bank borrowings		**20,000**	49,500
Tax payables		**6,303**	8,648
Total current liabilities		**115,192**	117,417
Net current assets		**284,997**	406,449
Total assets less current liabilities		**625,789**	757,551

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

	2018	2017
	RMB'000	*RMB'000*
Non-current liabilities		
Interest-bearing bank borrowings	**7,500**	27,500
Deferred tax liabilities	**14,021**	14,345
Provision	**714**	678
Total non-current liabilities	**22,235**	42,523
Net assets	**603,554**	715,028
Equity		
Equity attributable to owners of the parent		
Share capital	**94,630**	94,630
Other reserves	**508,924**	620,398
Total equity	**603,554**	715,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 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 disclosure requirements of 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 revised HKFRSs for the first time for the current year's financial statements.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 9

Based on the assessment by the Group, there is no significant cumulative effect of the initial application of HKFRS 9 at 1 January 2018 in accordance with transition requirements.

Classification and measurement

	Original classification under HKAS 39	**New classification under HKFRS 9**	**Carrying amount at 31 December 2017 under HKFRS 9** *RMB'000*	**Carrying amount at 1 January 2018 under HKFRS 9** *RMB'000*
Trade receivables	Loans and receivables	Amortised cost	49,340	49,340
Financial assets included in prepayments, deposits and other receivables	Loans and receivables	Amortised cost	7,337	7,337
Cash and cash equivalents	Loans and receivables	Amortised cost	269,592	269,592
Pledged deposits	Loans and receivables	Amortised cost	1,603	1,603
Deposits included in other non-current assets	Loans and receivables	Amortised cost	416	416

Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The Group concluded that there is no material impact for the initial application of the new impairment requirements.

HKFRS 15

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 15 (Continued)

The Group's contract with customers for the sale of health food products and cosmetics and skin care products include only one single performance obligation. The Group has concluded that revenue from sale should be recognised at the point of time when a customer obtains the control of the assets. The Group concluded that the initial application of HKFRS 15 has not had a significant impact on the timing of Group's revenue recognition, However, the impact of adoption of HKFRS 15 on accounting is noted below:

Accounting for loyalty points programme

The Group operates a loyalty programme for "Hejian" brand health food products, prior to the adoption of HKFRS 15, the Group recognised "deferred revenue" in relation to the fair value of points that have been issued but not expired. Upon HKFRS 15, the Group allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling prices and represented "contract liabilities" included in the other payables and accruals in the consolidated statement of financial position.

Accounting for volume rebates

The Group provides retrospective volume rebates to its customers on health food products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. For "Good Health" brand health food products, prior to the adoption of HKFRS 15, the Group estimated the expected volume rebates using the most likely amount of rebates approach and included a provision for rebates in other payables and accruals. Upon the adoption of HKFRS 15, the Group represented "refund liabilities" included in the other payables and accruals in the consolidated statement of financial position.

Accounting for advances received from the customers

Generally, the Group receives short-term advances from its customers, under the adoption of HKFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts. Prior to the adoption of HKFRS 15, the Group represented these advances as "advances from customers", and upon the adoption of HKFRS15, the Group reclassified the advance amounts to "contract liabilities" included in the other payables and accruals in the consolidated statement of financial position.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacture and sale of nutritional supplements and health food products in the PRC, Australia and New Zealand.

(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:

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**310,110**	303,968
New Zealand	**125,970**	149,031
Australia	**7,386**	7,071
Vietnam	**3,481**	1,917
Other countries	**6,252**	10,503
	453,199	472,490

(c) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**190,055**	148,847
New Zealand	**29,965**	33,399
Australia	**728**	993
	220,748	183,239

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 deposit 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 during the year.

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

	2018	2017
	RMB'000	*RMB'000*
Type of goods or services		
Sale of goods	**453,165**	472,244
Rendering of services	**34**	246
	453,199	472,490
Other income		
Bank interest income	**4,242**	3,300
Government grants*	**3,068**	3,572
Short term investment income	**–**	9
Foreign exchange differences, net	**1,486**	–
Others	**257**	352
	9,053	7,233
Gains		
Gain on disposal of items of property, plant and equipment	**–**	19
	9,053	7,252

* 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. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Note	**2018** *RMB'000*	2017 *RMB'000*
Cost of inventories sold		**176,081**	163,535
Amortisation of prepaid land lease payments		**247**	247
Amortisation of intangible assets		**3,651**	3,709
Auditor's remuneration		**1,950**	1,950
Depreciation of property, plant and equipment		**8,786**	7,203
Operating lease payments on properties and retail shops		**13,710**	16,378
Research and development expenses		**2,551**	3,039
Employment benefit expense (excluding directors', supervisors' and chief executive's remuneration):			
Wages and salaries		**88,222**	94,662
Pension scheme contributions		**3,649**	4,477
Other benefits		**14,571**	10,780
Foreign exchange differences, net		**(1,486)**	14,087
Impairment of goodwill	**9**	**70,050**	346
Impairment of an investment in a joint venture		**–**	5,959
Impairment of trade receivables		**4,201**	790
Write-down of inventories to net realisable value		**28,227**	336
Bank interest income		**(4,242)**	(3,300)
Government grants		**(3,068)**	(3,572)
Loss/(gain) on disposal of items of property, plant and equipment		**163**	(19)

6. INCOME TAX (CREDIT)/EXPENSE

The amounts of income tax (credit)/expense in the consolidated statement of profit or loss and other comprehensive income represent:

	2018 *RMB'000*	2017 *RMB'000*
Current		
— PRC	**4,920**	6,871
— Over provision in the PRC in prior years	**–**	148
— New Zealand	**–**	1,988
	4,920	9,007
Deferred	**(19,206)**	(5,762)
Total tax (credit)/charge for the year	**(14,286)**	3,245

One of the Group's subsidiaries obtained the Certificate of High and New Technology Enterprise in 2016 and was approved by tax authorities to enjoy the preferential tax rate of 15%. Except for the aforementioned subsidiaries, the income tax of the Company and its subsidiaries established in the PRC are subject to the statutory rate of 25% of the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC. New Zealand Income tax is calculated at 28% of the assessable profits of the subsidiaries operating in New Zealand. Australia Income tax is calculated at 30% of the assessable profits of the subsidiary operating in Australia.

7. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
Dividends approved and paid	**–**	100,024

The Board has resolved not to declare any final dividend for the year ended 31 December 2018 (2017: Nil).

No proposed dividend was declared by the Board for the year ended 31 December 2017. The proposed final dividend of RMB6.00 cents per share, amounting to RMB56,777,902 and a special dividend of RMB4.57 cents per share, amounting to RMB43,245,836 for the year ended 31 December 2016 was declared payable and approved by the shareholders at the annual general meeting of the Company on 5 June 2017.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 946,298,370 (2017: 946,298,370) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculations of basic (loss)/earnings per share are based on:

	2018 *RMB'000*	2017 *RMB'000*
(Loss)/Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic (loss)/earnings per share calculation	**(112,837)**	4,209

	2018	2017
Shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share calculation	**946,298,370**	946,298,370

9. GOODWILL

	2018	2017
	RMB'000	*RMB'000*
Cost at 1 January	**146,134**	153,387
Acquisition of subsidiaries	**–**	362
Deduction of purchase consideration*	**–**	(1,217)
Impairment during the year	**(70,050)**	(346)
Exchange realignment	**1,185**	(6,052)
Cost at 31 December, net of accumulated impairment	**77,269**	146,134
Cost at 31 December		
Cost	**147,715**	146,480
Accumulated impairment	**(70,446)**	(346)
Net carrying amount	**77,269**	146,134

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

10. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**62,574**	50,049
Impairment	**(4,920)**	(709)
	57,654	49,340

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, and the credit terms granted to TV shopping platforms is 30 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.

An ageing analysis of trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**34,277**	37,273
Over 1 month but within 3 months	**15,584**	10,230
Over 3 months but within 1 year	**6,875**	1,813
Over 1 year	**918**	24
	57,654	49,340

11. TRADE PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**9,021**	7,421
Over 1 month but within 3 months	**5,490**	3,786
Over 3 months but within 1 year	**320**	1,653
Over 1 year	**847**	1,304
	15,678	14,164

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

To further implement the Group's development strategy, during the Year, the Group continued to diversify its various sales channels including TV shopping platforms, distributors and e-commerce platforms, as well as to strengthen the marketing of the Good Health brand. Annual sales revenue of products, such as Zhongsheng series products, Hejian series products and Cobayer series products, decreased during the Year as compared to that of 2017. Revenue of the Group decreased from approximately RMB472.5 million for 2017 to approximately RMB453.2 million for the Year, representing a decrease of approximately 4.1%. The Group recorded a loss of approximately RMB112.8 million, as compared to a profit of approximately RMB10.8 million for 2017.

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 and sales promotion through distributors, TV shopping, e-commerce and other channels. The Group carried out continuous brand building and promotion mainly through combination of TV shopping platforms, online call centres and retail shops under the Zhongsheng brand in the PRC, the mutual penetration of distributors under the Good Health and the Living Nature brands, chain pharmacies and travel channels in the overseas, and at the same time by opening flagship stores on domestic and foreign major e-commerce platforms.

During the Year, in order to enhance the market competitiveness of its products and meet the evolving consumer demands, the Group has adopted a market-oriented research and a product development strategy to further strengthen the development of new products. During the Year, the Group has launched a total of 30 new products, including 4 Zhongsheng series products, 6 Hejian series products, 11 Good Health series products and 9 Living Nature series products. New products mainly comprise Turmeric Sport, Magnesium Small Capsules, CO-Q10 400mg, Turmeric Extra Strength (Reformulation), Magnesium Sleep, Turmeric + Probiotics, Viralax sachet Revive, Zhongshengpai Vitamin C Chews and HejianPai probiotic solid beverage.

During the Year, the Group has devoted more effort in the Good Health's brand promotion and undergone continuous brand marketing and publicity through various channels in the PRC and the overseas. The Group 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 Health Products Expo (中國國際健康產品展覽會), CBME Children-Baby-Maternity Expo (CBME中國孕嬰童展覽會) and China International Healthcare Expo (中國國際保健博覽會);

(iii) cooperation with various domestic TV channels for TV shopping; and

(iv) internet advertising.

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

(i) hiring Mr. Richie McCow (former captain of the All Blacks in New Zealand) and his wife to participate in Good Health product promotion activities;

(ii) sponsoring netball team Northern Mystics;

(iii) extensive promotion of magnesium and Viralex products through media channels such as television and radio;

(iv) online and offline promotions with distributors; and

(v) extensive use of social media campaigns and informative blog posts for interaction between consumers and brands.

The Group has made great effort to develop its TV shopping platforms during the Year and has built cooperation with 13 platforms including yougou.com, hao24.com, ocj.com.cn, Global Home Shopping, FS Shopping and CCTV Home Shopping to sell general trade and cross-border products.

In addition, the Group's overseas diversified sales platforms mainly include 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, suning.com, xiaohongshu.com, pinduoduo.com, kaola.com, mia.com, Health Post, Health Element and other e-commerce platforms during the Year.

FINANCIAL REVIEW

Results

The revenue of the Group for the Year was approximately RMB453.2 million, representing a decrease of approximately 4.1% from approximately RMB472.5 million in 2017. The Group recorded a loss of approximately RMB112.8 million, as compared to a profit of approximately RMB10.8 million for 2017. The Company's loss per share was approximately RMB11.92 cents (2017: earnings per share of approximately RMB0.44 cent) based on the weighted average number of 946,298,370 (2017: 946,298,370) ordinary shares of the Company in issue for the Year.

Revenue

The revenue of the Group decreased by approximately 4.1% from approximately RMB472.5 million for 2017 to approximately RMB453.2 million for the Year. Sales of Zhongsheng series products decreased by approximately 16.3% from approximately RMB128.0 million in 2017 to approximately RMB107.1 million in the Year; sales of Hejian series products decreased by approximately 48.5% from approximately RMB59.4 million in 2017 to approximately RMB30.6 million in the Year; sales of Cobayer series products decreased by approximately 34.9% from approximately RMB30.4 million in 2017 to approximately RMB19.8 million in the Year; and sales of Good Health series products increased by approximately 15.7% from approximately RMB229.3 million in 2017 to approximately RMB265.2 million in the Year. The decrease in revenue of sales in the Year was mainly attributable to the reduction in advertising and marketing promotions of Zhongsheng series products, Hejian series products and Cobayer series products in the PRC market, resulting in the decrease in sales revenue of Zhongsheng series products, Hejian series products and Cobayer series products. The main reason for the increase in sales of Good Health series products was that the Group has strengthened the marketing and promotion of the Good Health brand in multiple sales channels during the Year.

Gross profit

The Group's gross profit decreased from approximately RMB305.6 million for 2017 to approximately RMB249.0 million for the Year. The Group's average gross profit margin decreased from approximately 64.7% for 2017 to approximately 54.9% for the Year. Such decrease in gross profit margin was mainly due to the provision of inventory impairment and the increase in the proportion of sales revenue of Good Health series products during the Year and the decrease in the proportion of sales revenue of Zhongsheng series products and Hejian series products. Good Health series products were sold mainly through TV shopping platforms, distributors and online sales channels, whose gross profit is lower than Zhongsheng series products and Hejian series products, 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 increased from approximately RMB7.3 million for 2017 to approximately RMB9.1 million for the Year.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 18.2% from approximately RMB190.8 million for 2017 to approximately RMB225.6 million for the Year, representing approximately 40.4% and 49.8% of the Group's revenue for 2017 and the Year respectively. Such increase was primarily due to the increase in marketing promotional expenses of approximately 50.3% from approximately RMB84.1 million in 2017 to approximately RMB126.4 million in the Year for the purpose of enhancing the brand awareness of Good Health.

Administrative expenses

The Group's administrative expenses decreased by approximately 4.0% from approximately RMB83.1 million for 2017 to approximately RMB79.8 million for the Year, each representing approximately 17.6% of the Group's revenue in 2017 and the Year respectively. Such decrease was primarily due to the decrease in staff costs from approximately RMB40.1 million in 2017 to approximately RMB39.3 million in the Year and the decrease in office expense from approximately RMB32.5 million in 2017 to RMB29.3 million in the Year.

Taxation

The Group recorded an income tax credit of approximately RMB14.3 million for the Year, as compared to an income tax expense of approximately RMB3.2 million for 2017, due to the decrease in profit before tax during the Year.

The Group's effective tax rates in 2017 and the Year was approximately 23.0% and 11.2% respectively.

Loss for the Year

As a result of the foregoing, the Group recorded a loss for the Year of approximately RMB112.8 million, as compared to a profit of approximately RMB10.8 million for the year ended 31 December 2017.

The loss for the Year was mainly due to:

1. the Group reduced its advertising and marketing activities for the Zhongsheng series products, Hejian series products and Cobayer series products in the PRC market, resulting in the decrease in the sales of the Zhongsheng series products, Hejian series products and Cobayer series products in the PRC market;

2. new sales channels had relatively low profit in the early stage;

3. the annual performance of Shanghai Hejian Nutritional Food Products Company Limited* (上海禾健營養食品有限公司) ("**Hejian**") and Good Health Products Limited ("**GHP**") in the Year was below the Company's expectation and the Company provided for goodwill impairment for Hejian and GHP, respectively; and

4. the Company provided for inventory impairment for the Group's inventories following a prudent assessment with reference to macroeconomic factors and market competition.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

During the Year, the Group's cash and cash equivalents decreased by approximately RMB68.2 million, which mainly comprised the net cash inflow from operating activities with the amount of approximately RMB30.6 million, net cash outflow used in investing activities with the amount of approximately RMB47.3 million and net cash outflow used in financing activities with the amount of approximately RMB53.0 million.

Inventories

The Group's inventories amounted to approximately RMB110.9 million (31 December 2017: approximately RMB163.3 million) as at 31 December 2018. The Group's inventories comprised raw materials, work in progress, finished goods and goods merchandise. The inventories balances decreased by approximately 32.1% compared with that as at 31 December 2017, mainly because the Group increased the sales of Good Health series product and increased the provision of impairment made on inventories balances.

During the Year, inventory turnover was approximately 307 days (2017: 257 days). The longer inventory turnover period during the Year was primarily due to the Company purchased a large amount of honey in 2017 to be used for sales in TV shopping channel in the Year, the sales were lower than expected due to the adjustment of program schedule of TV shopping platforms in the Year.

Trade receivables

The Group's trade receivables amounted to approximately RMB57.7 million (2017: approximately RMB49.3 million) as at 31 December 2018 which represents an increase of approximately 17.0% from that as at 31 December 2017. It was mainly due to (1) growth in sales revenue from TV shopping platforms with a credit term of 30 days; and (2) sales from local tourist souvenir shops and pharmacies in New Zealand continued to grow with 60 days of credit terms usually granted to distributors.

Trade payables

The Group's trade payables amounted to approximately RMB15.7 million (2017: approximately RMB14.2 million) as at 31 December 2018 which represents an increase of approximately 10.6% from that as at 31 December 2017. Turnover days for trade payables decreased to 31 days (2017: 33 days), which has no significant fluctuation.

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 2018.

Borrowings and pledge of assets

The Group had loan balances of RMB27.5 million and pledge of assets (being its shareholding in Shanghai Weiyi Investment & Management Limited Company* (上海惟翊投資管理有限公司)) as at 31 December 2018.

Capital expenditure

The Group invested approximately RMB39.1 million during the Year (2017: approximately RMB35.0 million) for building research & development ("**R&D**") centre, plant and equipment.

Capital commitments and contingent liabilities

As at 31 December 2018, the Group had commitments for building R&D centre, plant and equipment of approximately RMB38.8 million (2017: approximately RMB48.7 million).

OUTLOOK

During the Year, the Company focused on the construction of Sinolife United Research and Development Centre, and built a supply and marketing platform through multiple channels. Furthermore, the channels for distributors, pharmacies and maternity stores began to take shape, and the Phase I Project of Sinolife United Research and Development Centre became fully operational.

In 2019, the Company will focus on the development and cultivation of maternity stores channels and distributor channels, increase pharmacy channels and e-commerce platforms, and focus on expanding sales channels in the PRC. As for technical research and development, more efforts will be made to carry out scientific and technological innovation to lay a solid foundation for the future of the Company.

Health has always been a topic for humanity. Regardless of maternity and child, sub-healthy, or healthy demographics, their demand and desire for scientific health is considered as part of the health issues. Since the establishment, the Company has always persisted in the work of health protection, health management, health and safety, which is also faith and pursuit of the Company.

The Company believes health means longevity, physical strength, and happiness.

In safeguarding health, the Company upholds high quality and high standards. Upon completion of Sinolife United Research and Development Centre, the Company has entered a new stage of development. Meanwhile, the Company also knows that the road ahead remains very long, mixed with opportunities and challenges. However, the Company will certainly keep pace with times and persist in the cultural spirit with one step at a time to serve the society and create value.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff is indispensable asset 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 2018, the Group employed a work force of 735 employees. The total salaries and related costs for the Year amounted to approximately RMB111.1 million (2017: approximately RMB114.2 million).

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

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

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 of Hong Kong Limited (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 the Year.

CODE OF CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the Year.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Zhang Jitong, Ms. Cai Tianchen and Mr. Wang Wei. Ms. Cai Tianchen serves as the chairman of the Audit Committee. The Audit Committee 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 or any special dividend.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be convened on Wednesday, 5 June 2019. 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, 4 May 2019 to Wednesday, 5 June 2019, 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, 3 May 2019.

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 2019

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 Ms. Li Fan; and the independent non-executive Directors are Mr. Zhang Jitong, Ms. Cai Tianchen and Mr. Wang Wei.