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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS FOR THE FIRST HALF OF 2020

- Revenue decreased by approximately 11.8% to approximately RMB134.3 million (First half of 2019: approximately RMB152.2 million)
- Gross profit increased by approximately 5.7% to approximately RMB79.2 million (First half of 2019: approximately RMB74.9 million)
- Loss for the period was approximately RMB6.2 million (First half of 2019: loss of approximately RMB42.3 million)
- Basic loss per share was approximately RMB0.65 cent (First half of 2019: loss per share approximately RMB4.47 cents)
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (First half of 2019: nil)

INTERIM 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 unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 which are as follows:

* *For identification purpose only*

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

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June **2020** *RMB'000* **(unaudited)**	2019 *RMB'000* (unaudited)
Revenue	2, 3	**134,300**	152,174
Cost of sales		**(55,110)**	(77,251)
Gross profit		**79,190**	74,923
Other income and gains	3	**7,759**	5,864
Selling and distribution expenses		**(52,255)**	(79,176)
Administrative expenses		**(36,122)**	(40,736)
Finance costs		**(812)**	(2,023)
Other expenses		**(2,407)**	(2,153)
Loss before tax	4	**(4,647)**	(43,301)
Income tax (expense)/credit	5	**(1,528)**	1,031
Loss for the period		**(6,175)**	(42,270)
Loss attributable to:			
Owners of the parent		**(6,175)**	(42,270)
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods, net of tax			
Exchange differences on translation of foreign operations		**(2,894)**	545
Total comprehensive loss for the period		**(9,069)**	(41,725)
Total comprehensive loss attributable to:			
Owners of the parent		**(9,069)**	(41,725)
Loss per share attributable to ordinary equity holders of the parent:			
— Basic and diluted for loss	7	**RMB(0.65) cent**	RMB(4.47) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**150,856**	154,966
Investment properties		**2,630**	2,630
Right-of-use assets		**25,052**	28,880
Goodwill		**42,047**	43,413
Other intangible assets		**27,938**	30,361
Deferred tax assets		**10,850**	12,763
Other non-current assets		**5,453**	5,454
Total non-current assets		**264,826**	278,467
Current assets			
Inventories	*9*	**85,722**	89,751
Trade receivables	*10*	**28,591**	44,400
Prepayments, deposits and other receivables		**20,350**	17,434
Tax recoverable		**3,090**	3,462
Pledged deposits		**3,230**	1,685
Cash and cash equivalents		**90,462**	107,521
Total current assets		**231,445**	264,253
Total assets		**496,271**	542,720
Current liabilities			
Trade payables	*11*	**20,596**	13,495
Other payables and accruals		**39,097**	59,318
Interest-bearing bank borrowings		**7,500**	27,500
Lease liabilities		**5,228**	6,256
Tax payables		**6,218**	6,545
Total current liabilities		**78,639**	113,114
NET CURRENT ASSETS		**152,806**	151,139
TOTAL ASSETS LESS CURRENT LIABILITIES		**417,632**	429,606

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020 (continued)

	Notes	**30 June 2020** *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
Non-current liabilities			
Lease liabilities		**10,359**	13,013
Deferred tax liabilities		**4,486**	4,715
Provision		**706**	728
Total non-current liabilities		**15,551**	18,456
NET ASSETS		**402,081**	411,150
Equity			
Equity attributable to owners of the parent			
Share capital		**94,630**	94,630
Other reserves		**307,451**	316,520
TOTAL EQUITY		**402,081**	411,150

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

1.1 Basis of preparation

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 (the "**period**") have been prepared in accordance with Hong Kong Accounting Standards ("**HKASs**") 34 Interim Financial Reporting.

These unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

1.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Coronavirus pandemic ("**COVID-19**")-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

1.2 Changes in accounting policies and disclosures (continued)

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 during the period. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB217,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and the corresponding right-of-use assets for the period.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2. 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 the sale of packaged health food products in the People's Republic of China (the "**PRC**"), Australia and New Zealand.

(b) Geographical information

Most of the Group's companies are domiciled in the PRC and the majority of the non-current assets is 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:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC	**76,825**	95,675
New Zealand	**50,607**	51,975
Australia	**1,732**	1,725
Other countries	**5,136**	2,799
	134,300	152,174

(c) Non-current assets

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
PRC	**167,494**	172,191
New Zealand	**38,590**	43,582
Australia	**392**	1,064
	206,476	216,837

The non-current assets information above is based on the locations of the assets and excludes goodwill, deferred tax assets 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.

3. 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:

	For the six months ended 30 June 2020 *RMB'000* **(unaudited)**	For the six months ended 30 June 2019 *RMB'000* (unaudited)
Type of goods or services		
Sale of goods	**134,268**	151,897
Rendering of services	**32**	277
	134,300	152,174
Timing of revenue recognition		
Goods or services transferred at a point in time	**134,300**	152,174
Total revenue from contracts with customers	**134,300**	152,174
Other income and gains		
Bank interest income	**371**	2,079
Reversal of impairment of trade receivables	**1,810**	360
Government grants*	**5,289**	3,290
Other	**289**	135
	7,759	5,864

* Various government grants have been received for the Group's contribution to the development of local economy. In addition, certain subsidies have been received in connection with COVID-19 given by New Zealand government. There are no unfulfilled conditions or contingencies relating to these grants.

4. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	For the six months ended 30 June 2020 *RMB'000* **(unaudited)**	For the six months ended 30 June 2019 *RMB'000* (unaudited)
Cost of inventories sold	**62,194**	75,187
Staff costs	**33,139**	40,137
Depreciation of right-of-use assets	**3,245**	3,825
Amortisation of intangible assets	**1,801**	1,829
Depreciation of property, plant and equipment	**6,998**	4,624
Lease payments not included in the measurement of lease liabilities	**650**	2,897
Reversal of impairment of trade receivables	**(1,810)**	(360)
Reversal of write-down of inventories to net realisable value	**(7,084)**	(3,222)
Exchange differences, net	**2,263**	1,585
Government grants	**(5,289)**	(3,290)
Research and development expenses	**601**	1,451

5. INCOME TAX EXPENSE/(CREDIT)

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

	For the six months ended 30 June 2020 *RMB'000* **(unaudited)**	For the six months ended 30 June 2019 *RMB'000* (unaudited)
Current		
— PRC	**81**	1,109
— New Zealand	**5**	324
	86	1,433
Deferred tax	**1,442**	(2,464)
Total tax expense/(credit) for the period	**1,528**	(1,031)

One of the Group's subsidiaries obtained the Certificate of High and New Technology Enterprise in 2019 and was approved by tax authorities to enjoy the preferential tax rate of 15%. Except for the aforementioned subsidiary, 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. The subsidiary in Australia has suffered operating loss and no income tax provision was made in both the period and comparing period.

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (For the six months ended 30 June 2019: nil).

No proposed dividend declared by the Board for the year ended 31 December 2019.

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of RMB6,175,000 (30 June 2019:RMB(42,270,000)) and the weighted average number of ordinary shares of 946,298,370 in issue during the period (30 June 2019: 946,298,370).

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2020 and 2019.

8. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the period, additions to property, plant and equipment amounted to RMB3,335,681 (For the six months ended 30 June 2019: RMB26,340,964).

9. INVENTORIES

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
Raw materials	**21,181**	19,924
Work-in-progress	**2,999**	2,231
Finished goods	**57,917**	62,643
Goods merchandise	**3,625**	4,953
	85,722	89,751

10. TRADE RECEIVABLES

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
Trade receivables	**30,947**	48,724
Impairment	**(2,356)**	(4,324)
	28,591	44,400

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:

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
Within 1 month	**18,337**	17,106
Over 1 month but within 3 months	**7,439**	15,293
Over 3 months but within 1 year	**2,283**	11,444
Over 1 year	**532**	557
	28,591	44,400

11. TRADE PAYABLES

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

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
Within 1 month	**15,824**	4,487
Over 1 month but within 3 months	**2,848**	4,760
Over 3 months but within 1 year	**570**	2,477
Over 1 year	**1,354**	1,771
	20,596	13,495

The trade payables are non-interest-bearing and are normally settled on terms between 30 and 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2020, the Group continued to implement its established development strategy and focused on the development of the Good Health series products through its diversified sales channels including distributors, TV shopping platforms and e-commerce platforms. Among them, the revenue from sales of the maternity and child series products under the Good Health brand through the domestic distributor channels increased by approximately 110% as compared with the same period in last year. In the first half of 2020, as the Group continued to close the original retail shops under the Zhongsheng brand and due to the impact of COVID-19, the sales on online call centres, e-commerce platforms and TV shopping platforms decreased. As a result, the revenue of the Group decreased by approximately 11.8% to approximately RMB134.3 million for the six months ended 30 June 2020 from approximately RMB152.2 million in the first half of 2019. In the meantime, the Group continued to adjust its sales channels and product structure, resulting in an increase in the overall gross profit margin. The structure and number of staff, market promotion expenses and daily operating expenses have also been optimised to reduce the selling and distribution expenses and administrative expenses. Therefore, the loss for the period of the Group significantly decreased from a loss of approximately RMB42.3 million in the first half of 2019 to a loss of approximately RMB6.2 million in the first half of 2020.

In the first half of 2020, the outbreak of the COVID-19 has caused material impacts on the global economic development and the living of the public. The main impacts on the Group included: (i) logistics and transportation: the outbreak of the COVID-19 restricted domestic and cross-border logistics to some extent for a period of time, which in turn had negative impacts on the sales and delivery of goods of the Group during such period; and (ii) with the decrease in tourist population: the revenue generated from the sales channels in the tourism market of New Zealand decreased, which exerted pressure on the Group's revenue in the first half of 2020. With the control and mitigation of the epidemic in New Zealand and the PRC, logistics and distribution have basically resumed to normal. The fight against COVID-19 also enhances the health awareness of the public. In the first half of 2020, despite the decrease in the sales in the overseas and tourism markets of New Zealand in terms of the Good Health brand, the sales in the domestic market of New Zealand, especially immunity products, has increased. In response to the impacts of COVID-19, the Group paid more attention to the sustainable business development and cash flows. In the first half of 2020, in addition to the optimisation of its sales channels and product structure to increase the gross profit margin, the Group optimised the structure and number of staff, market promotion expenses and daily operating expenses to reduce the selling and distribution expenses and administrative expenses, which improved the Group's profitability and control over its cash flows. At the same time, the Group has adjusted the settlement methods with some key overseas suppliers, and purchased goods by usance letters of credit. The Group also continued to intensify the efforts to sell the existing inventories and speed up the cash flow recovery, so as to improve the overall cash flows.

During the period, the Group succeeded in raising the brand awareness in targeted markets by implementing a combination of strategies focused on the Good Health brand, multiple marketing channels and product diversification. The Group carried out continuous brand building measures and promotion mainly through TV shopping platforms, distributors and online call centres in the PRC market, the mutual penetration of distributors, chain pharmacies and travel channels in the overseas market, and at the same time by opening flagship stores on domestic and foreign major e-commerce platforms.

In addition, the Group launched 13 new products of Good Health series in the first half of 2020.

To accelerate product development, the Group has adopted a market-oriented research and product development process in order to meet the evolving customer demands and needs. In the second half of 2020, the following products are planned to be launched, including DHA Algal Oil Walnut Oil Complex Oil, Marine Collagen Peptide Powder Solid Beverage, Soy Protein Isolate Solid Beverage, Supplemental nutrition supplements, Goat Milk Powder with Lactoferrin & Sialic Acid, Cinnamon film tablets and Casein collagen tablets.

The Group has a fast-growing retail network and diversified sales platforms to serve a broad customer base. To increase the income from the Good Health brand, the Group has further invested more resources in the sales channels of the Good Health series products in the PRC market, as well as vigorously developing sales channels for domestic distributors and maternal and child products.

At the same time, the Group has carried out in-depth cooperation with over ten TV shopping platforms, including JiaJiaMall.com, PChome Global, Enjoy Shopping, Huimai online, happigo.com, ocj.com, cnmall.com, and e-commerce platforms, such as Alibaba, Tmall International, JD.com, kaola.com, xiaohongshu.com, pinduoduo.com and HealthPost etc. The Group's overseas diversified sales platforms mainly include international distributor network broadly distributed in countries and local large chain pharmacies, health goods supermarkets and tourist souvenir shops in New Zealand and Australia.

FINANCIAL REVIEW

Results

The revenue of the Group in the first half of 2020 was approximately RMB134.3 million, representing a decrease of approximately 11.8% from approximately RMB152.2 million over the corresponding period in 2019. For the first half of 2020, the Group recorded a loss of approximately RMB6.2 million, as compared with a loss of approximately RMB42.3 million in the first half of 2019. The Company's loss per share was approximately RMB0.65 cent (First half of 2019: approximately RMB4.47 cents) based on the weighted average number of approximately 946.3 million shares in issue during the first half of 2020 (First half of 2019: approximately 946.3 million shares).

Revenue

The revenue of the Group decreased by approximately 11.8% from approximately RMB152.2 million in the first half of 2019 to approximately RMB134.3 million for the six months ended 30 June 2020. Such significant decrease in revenue as compared with the corresponding period in last year was mainly due to the impact of COVID-19 on the logistics and the sales from TV-shopping platforms.

Gross profit

The Group's gross profit increased by approximately 5.7% from approximately RMB74.9 million in the first half of 2019 to approximately RMB79.2 million for the six months ended 30 June 2020. The Group's average gross profit margin increased by approximately 9.8% from approximately 49.2% in the first half of 2019 to approximately 59.0% for the six months ended 30 June 2020. Such increase in gross profit was mainly due to: (i) an increase in the proportion of sales of products under the maternity and child series with higher gross profit margin through domestic distribution channels of the Group; and (ii) lower gross margin of honey series products in the first half of 2019 to promote the honey series products at a low price.

Other income and gains

The Group's other income and gains increased from approximately RMB5.9 million in the first half of 2019 to approximately RMB7.8 million in the first half of 2020, which was mainly due to the government grants and reverse of bad debt provision.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately 34.0% from approximately RMB79.2 million in the first half of 2019 to approximately RMB52.3 million for the six months ended 30 June 2020, representing approximately 52.0% and 38.9% of the Group's revenue respectively. Such decrease in selling and distribution expenses was mainly due to: (i) a decrease in staff expenses as a result of a decline in the headcount following the Group's closure of original retail shops under the Zhongsheng brand, and the takeover of certain administrative functions by the headquarters of the Group for the optimisation of staff structure of the online call centre; and (ii) a decrease in the promotion and marketing expenses as a result of the Group's cancellation of certain broadcasting schedule with TV shopping platforms and certain concessions offered by some TV shopping platforms due to the impact of COVID-19.

Administrative expenses

The Group's administrative expenses decreased by approximately 11.3% from approximately RMB40.7 million for the first half of 2019 to approximately RMB36.1 million for the six months ended 30 June 2020, representing approximately 26.7% and 26.9% of the Group's revenue respectively. Such decrease in administrative expenses was mainly due to a decrease in staff expenses and daily operating expenses.

Income tax credit/(expense)

Income tax credit/(expense) decreased from an income tax credit of approximately RMB1.0 million in the first half of 2019 to an income tax expense of approximately RMB1.5 million for the six months ended 30 June 2020, which was mainly due to the realisation of deferred tax assets relating to losses of previous years as one of the company's subsidiaries turned profitable during the period. The Group's effective tax rates for the six months ended 30 June 2019 and 2020 were approximately 2.4% and (32.9)% respectively.

Loss for the period

The Group's loss for the period decreased from approximately RMB42.3 million in the first half of 2019 to approximately RMB6.2 million in the first half of 2020. The decrease in loss as compared with the corresponding period in last year was mainly due to the fact that the Group adjusted the sales channel and product structure, contributing to a higher gross profit margin. Meanwhile, the staff structure and headcount, marketing and promotion expenses and daily operating expenses were optimised, leading to a decrease in selling and distribution expenses and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 30 June 2020, cash and cash equivalents of the Group decreased by approximately RMB17.1 million as compared with 31 December 2019, which mainly comprised the net cash inflow in operating activities with the amount of approximately RMB15.6 million, net cash outflow in investing activities with the amount of approximately RMB8.0 million, net cash outflow from financing activities with the amount of approximately RMB23.9 million and exchange loss of approximately RMB0.7 million.

Inventories

The Group's inventories decreased to approximately RMB85.7 million as at 30 June 2020 (as at 31 December 2019: approximately RMB89.8 million), which was mainly due to the fact that the Group focused on the sales of the Good Health series products and reduced the inventory of Zhongsheng series products and Hejian series products. The Group's inventories comprised raw materials, work in progress, finished goods and goods merchandise. During the first half of 2020, the inventory turnover period was approximately 286 days (first half of 2019: approximately 303 days). The decrease in the inventory turnover period for the period was mainly due to the decrease in the level of the inventories of the Group's subsidiaries in the PRC and New Zealand.

Trade receivables

The Group's trade receivables amounted to approximately RMB28.6 million as at 30 June 2020 (as at 31 December 2019: approximately RMB44.4 million). During the first half of 2020, the Good Health series products were mainly sold through distributors and TV shopping platforms, of which the distributors were generally granted with credit terms of 30 days to 90 days, while the credit term granted to TV shopping platforms was 30 days. Such decrease in trade receivables was mainly due to (i) decreased in sales through TV shopping platforms; (ii) management accelerated the collection of trade receivables; and (iii) the newly increased sales of domestic distributors mainly adopted the cash-and-pay settlement method.

Trade payables

The Group's trade payables amounted to approximately RMB20.6 million as at 30 June 2020 (as at 31 December 2019: approximately RMB13.5 million). Turnover days for trade payables increased to approximately 55 days (first half of 2019: approximately 45 days). Such increases in the balance of trade payables and turnover days were mainly due to (i) raw materials reserves maintained by Good Health for production in the second half of 2020; and (ii) direct procurement of some Good Health series products by domestic companies of the Group from suppliers of New Zealand during the period, which offered longer credit term, resulting in the increase in the turnover days of trade payables.

Foreign exchange exposure

As the Group conducts inbound transactions principally in RMB and outbound transactions principally in Australian dollar and New Zealand dollar, the Group had not utilised any financial instruments for hedging purposes as at 30 June 2020. During the first half of 2020, the Group recorded a net exchange loss of approximately RMB2.3 million (first half of 2019: net exchange loss of approximately RMB1.6 million), which was mainly due to the currency exchange of RMB and New Zealand dollar between the parent company in the PRC and Good Health in New Zealand.

Borrowings and pledge of assets

The Group had outstanding bank borrowings of approximately RMB7.5 million as at 30 June 2020. These bank borrowings are secured by the charge over the Group's 100% equity interests in Shanghai Weiyi Investment & Management Limited Company* (上海惟翊投資管理有限公司).

Capital expenditure

The Group invested approximately RMB3.3 million in the first half of 2020 (first half of 2019: approximately RMB24.1 million) for enhancement of fixed assets and equipment.

* *For identification purpose only*

Capital commitments and contingent liabilities

As at 30 June 2020, the Group did not have capital commitments (as at 31 December 2019: nil). The Group had no material contingent liabilities as at 30 June 2020 (as at 31 December 2019: nil).

OUTLOOK

Looking into the second half of 2020, the Group will continue to invest resources in the marketing and promotion of the Good Health series products in domestic distributor channels and cross-border e-commerce platforms.

Upon penetrating into the PRC market, our maternity series products under Good Health brand have maintained a rapid growth, alongside growing brand influence and product exhibits of Good Health in the relevant channels. In the second half of 2020, the Company will further strengthen cooperation with core domestic distributors in terms of sales channel construction, brand promotion, and product knowledge trainings of the maternity series products under the Good Health brand.

Despite the difficulties and challenges to the development and operation of enterprises, COVID-19 has enhanced the health awareness of the public and caused an increasing demand for nutritional supplements. As there is enormous growth potential for the maternity market and nutritional supplement sector in the PRC, the Group is confident in providing high-quality products and services to the general public and creating greater values for the customers and the society.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff is indispensable asset to the Group's success in the competitive market. By providing comprehensive trainings and corporate culture education periodically, the Group's employees are able to obtain on-going training and development in the nutritional supplements industry. Furthermore, the Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees. The Group reviews its human resources and remuneration policies periodically to ensure that they are in line with market practice and regulatory requirements. As at 30 June 2020, the Group employed work force of 437, including 213 employees of Zhongsheng, 89 employees of Hejian, 105 employees of Good Health, 3 employees of Australia and 27 employees of Living Nature. The total salaries and related costs for the six months ended 30 June 2020 amounted to approximately RMB33.1 million (first half of 2019: approximately RMB40.1 million).

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

For the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 the code of conduct for 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 throughout the six months ended 30 June 2020 and up to the date of this announcement.

CODE OF CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 to the Listing Rules on the Stock Exchange for the six months ended 30 June 2020 and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (For the six months ended 30 June 2019: nil).

REVIEW OF THE INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020 have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules on the Stock Exchange and with written terms of reference in compliance with the CG Code. The Audit Committee consists of 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 primary responsibilities of the Audit Committee are to review and monitor the financial reporting, internal control and risk management systems of the Company and to assist the Board to fulfill its responsibilities over audit.

PUBLICATION OF INTERIM REPORT

This interim 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 interim report of the Group for the six months ended 30 June 2020 containing all the relevant information required by the Listing Rules on the Stock Exchange 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, the People's Republic of China, 28 August 2020

As of the date of this announcement, the executive Directors are Mr. Gui Pinghu, Ms. Zhang Yuan and Ms. Zhu Feifei; and the independent non-executive Directors are Mr. Zhang Jitong, Ms. Cai Tianchen and Mr. Wang Wei.

* *For identification purpose only*