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 2021

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 14.9% to RMB252.3 million (2020: RMB296.5 million).
- Gross profit decreased by approximately 18.7% to RMB138.8 million (2020: RMB170.7 million).
- Loss for the Year was approximately RMB31.7 million (2020: Loss of RMB49.6 million).
- Loss per share was RMB3.35 cents (2020: Loss per share RMB5.24 cents).
- The Board does not recommend the payment of any final dividend (2020: Nil) for the Year or any special dividend (2020: 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 2021 (the "**Year**") together with the comparative figures for the year ended 31 December 2020 which are as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	2021 *RMB'000*	2020 *RMB'000*
Revenue	*4*	**252,325**	296,525
Cost of sales		**(113,522)**	(125,821)
Gross profit		**138,803**	170,704
Other income and gains	*4*	**15,094**	12,735
Selling and distribution expenses		**(105,984)**	(132,898)
Administrative expenses		**(70,217)**	(77,571)
Finance costs		**(685)**	(1,275)
Other expenses		**(10,110)**	(15,857)
Loss before tax		**(33,099)**	(44,162)
Income tax credit/(expense)	*6*	**1,392**	(5,443)
Loss for the year		**(31,707)**	(49,605)
Other comprehensive (loss)/income			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods, after tax:			
Exchange differences on translation of foreign operations		**(5,479)**	(231)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, after tax:			
Gains on property revaluation		**5,067**	1,049
Total comprehensive loss for the year		**(32,119)**	(48,787)
Loss attributable to:			
Owners of the parent		**(31,707)**	(49,605)
Total comprehensive loss attributable to:			
Owners of the parent		**(32,119)**	(48,787)
		RMB	*RMB*
Loss per share attributable to ordinary equity holders of the parent:			
— Basic and diluted	*8*	**(3.35) cents**	(5.24) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**89,583**	108,363
Investment properties		**60,229**	40,608
Right-of-use assets		**13,074**	19,514
Goodwill	*9*	**31,927**	34,491
Other intangible assets		**8,737**	24,751
Deferred tax assets		**8,976**	9,830
Other non-current assets		**–**	176
Total non-current assets		**212,526**	237,733
Current assets			
Inventories	*10*	**59,983**	83,145
Trade receivables	*11*	**26,226**	33,040
Prepayments, deposits and other receivables		**15,267**	14,431
Tax recoverable		**2,982**	2,995
Pledged deposits		**1,071**	1,271
Cash and cash equivalents		**72,057**	77,116
Total current assets		**177,586**	211,998
Total assets		**390,112**	449,731
Current liabilities			
Trade payables	*12*	**15,660**	16,185
Other payables and accruals		**29,484**	42,999
Lease liabilities		**4,285**	4,777
Tax payables		**278**	6,445
Total current liabilities		**49,707**	70,406
Net current assets		**127,879**	141,592
Total assets less current liabilities		**340,405**	379,325

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

	2021	2020
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**4,585**	8,686
Deferred tax liabilities	**4,836**	7,499
Provision	**740**	777
Total non-current liabilities	**10,161**	16,962
Net assets	**330,244**	362,363
Equity		
Equity attributable to owners of the parent		
Share capital	**94,630**	94,630
Other reserves	**235,614**	267,733
Total equity	**330,244**	362,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE AND GROUP 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 Block E-2, 8/F, Deji Building, 188 Chang Jiang Road, Xuanwu District, Nanjing, Jiangsu Province, the PRC.

The Group is principally engaged in the manufacture 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, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") 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.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. 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 hedging relationships.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs Standards 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group expects that the adoption of the new and revised HKFRSs will have no significant financial effect on the Group's results of operations and financial position.

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 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 Mainland China, New Zealand and Australia. The Group's revenue from external customers is primarily derived in the Mainland China, New Zealand and Australia.

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

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**149,946**	190,808
New Zealand	**82,726**	92,274
Australia	**5,233**	4,227
Vietnam	**3,815**	1,334
Other countries	**10,605**	7,882
	252,325	296,525

(c) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**147,714**	161,264
New Zealand	**22,057**	31,742
Australia	**1,852**	230
	171,623	193,236

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 for the Year (2020: Nil).

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:

	2021	2020
	RMB'000	*RMB'000*
Type of goods or services		
Sale of goods	**252,262**	296,456
Rendering of services	**63**	69
Total revenue from contracts with customers	**252,325**	296,525
Timing of revenue recognition		
Goods or services transferred at a point in time	**252,325**	296,525
Total revenue from contracts with customers	**252,325**	296,525

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**7,090**	7,386

	2021	2020
	RMB'000	*RMB'000*
Other income and gains		
Government grants*	**5,867**	8,302
Reversal of provision of trade receivables	**–**	1,537
Rental income	**3,792**	1,071
Gain on disposal of property, plant and equipment	**11**	–
Bank interest income	**357**	689
Fair value gains on investment properties	**–**	679
Gain on disposal of a subsidiary	**4,736**	–
Foreign exchange differences, net	**–**	440
Others	**331**	17
	15,094	12,735

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

5. LOSS BEFORE TAX

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

	Note	**2021** *RMB'000*	2020 *RMB'000*
Cost of inventories sold		**112,231**	119,269
Depreciation of property, plant and equipment*		**12,499**	13,214
Depreciation of right-of-use assets*		**4,152**	5,908
Lease payments not included in the measurement of lease liabilities		**141**	650
Amortisation of intangible assets**		**2,274**	2,806
Auditor's remuneration		**2,300**	2,380
Research and development expenses		**1,292**	5,176
Changes in fair value of investment properties		**487**	(679)
Employment benefit expense (excluding directors', supervisors' and chief executive's remuneration)*:			
Wages and salaries		**56,272**	63,029
Pension scheme contributions (defined contribution scheme)***		**2,438**	2,128
Other benefits		**5,963**	3,481
Foreign exchange differences, net		**7,254**	(440)
Impairment loss of goodwill***	*9*	**-**	8,993
Impairment loss of other intangible assets****		**1,916**	2,738
Impairment loss/(reversal of provision) of trade receivables		**69**	(1,537)
Write-down of inventories to net realisable value*****		**1,291**	6,552
Bank interest income		**(357)**	(689)
Government grants		**(5,867)**	(8,302)
Gain on disposal of a subsidiary		**(4,736)**	–
(Gain)/loss on disposal of items of property, plant and equipment		**(11)**	3,888

* The depreciation of property, plant and equipment, depreciation of right-of-use assets and employment benefit expense for the year is included in "Cost of inventories sold", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

** The amortisation of intangible assets for the year is included in "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

**** The impairment of goodwill and other intangible assets is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

***** The write-down of inventories to net realisable value for the year is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX (CREDIT)/EXPENSE

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

	2021	2020
	RMB'000	*RMB'000*
Current		
— PRC	**–**	23
— New Zealand	**(92)**	55
	(92)	78
Deferred	**(1,300)**	5,365
Total tax (credit)/expense for the year	**(1,392)**	5,443

One of the Group's subsidiaries obtained the Certificate of High and New Technology Enterprise in 2019 and was approved by the 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.

7. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends approved and paid	**–**	–

The Board has resolved not to declare any final dividend for the year ended 31 December 2021 (2020: Nil).

8. 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 Year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 946,298,370 (2020: 946,298,370) in issue during the Year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

The calculation of basic loss per share is based on:

	2021	2020
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	**(31,707)**	(49,605)

	2021	2020
Shares		
Weighted average number of ordinary shares for the purpose of the basic loss per share calculation	**946,298,370**	946,298,370

9. GOODWILL

	RMB'000
At 1 January 2020	
Cost	148,719
Accumulated impairment	(105,306)
Net carrying amount	43,413
Cost at 1 January 2020, net of accumulated impairment	43,413
Impairment during the Year	(8,993)
Exchange realignment	71
At 31 December 2020	34,491
At 31 December 2020	
Cost	148,820
Accumulated impairment	(114,329)
Net carrying amount	34,491
Cost at 1 January 2021, net of accumulated impairment	34,491
Exchange realignment	(2,564)
Cost and net carrying amount at 31 December 2021	31,927
Cost at 31 December 2021:	
Cost	57,019
Accumulated impairment	(25,092)
Net carrying amount	31,927

10. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**24,196**	23,518
Work-in-progress	**611**	1,432
Finished goods	**34,589**	57,557
Goods merchandise	**587**	638
	59,983	83,145

11. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**28,587**	35,539
Impairment	**(2,361)**	(2,499)
	26,226	33,040

In general, the entities in the Group have 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 term 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 the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**16,019**	20,883
Over 1 month but within 3 months	**8,159**	9,480
Over 3 months but within 1 year	**1,306**	1,941
Over 1 year	**742**	736
	26,226	33,040

12. TRADE PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**7,155**	7,103
Over 1 month but within 3 months	**7,544**	6,109
Over 3 months but within 1 year	**217**	2,223
Over 1 year	**744**	750
	15,660	16,185

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, vigorously developing the distribution of maternity and child series products under the Good Health brand and the cross-border e-commerce business of nutritional supplements series products under the Good Health brand in the PRC market remains a key focus of the Group. Due to the disposal of the subsidiary, Shanghai Hejian Nutritional Food Products Company Limited* (上海禾健營養食品有限公司) ("**Shanghai Hejian**"), which was responsible for call centre operations, and the Group's reduced advertising and promotion expenses spent on TV shopping platforms, the Group's revenue decreased by approximately 14.9% to approximately RMB252.3 million for the Year, as compared to approximately RMB296.5 million in 2020. The Group recorded a loss of approximately RMB31.7 million for the Year, representing a decrease of approximately 36.1% as compared to a loss of approximately RMB49.6 million recorded for the year ended 31 December 2020.

During the Year, the Group continued to adopt the strategies of focusing on the Good Health brand and sales promotion through distributors and e-commerce channels, so as to promote the recognition of the Good Health brand in the target markets. Furthermore, the Group continued to develop and promote the brands mainly through a combination of distributors, TV shopping platforms and travel channels. On the other hand, the Group also utilised flagship stores on major domestic e-commerce platforms for brand development and promotion.

During the Year, to enhance market competitiveness of its products and meet the evolving consumer demands, the Group adopted a market-oriented strategy for research and product development to further strengthen the new products development. During the Year, the Group launched a total of 14 new products, including 3 Zhongsheng series products and 11 Good Health series products. The new products mainly comprised Vermouth yeast β - Dextran chewable tablets (pressed candy), Fish collagen peptide solid beverage (upgraded formula), Calcium iron zinc nutrition package (upgraded formula), Milk powder prepared with lactase (upgraded formula), Acerola vitamin C fudge, Blueberry Lutein dipalmitate fudge, DHA Algal oil gel candy, Kids Vision Chews, Viralex Lysine Tablets, Viralex Lysine Ointment, Immuno-Well, etc.

In the PRC market, the Group made great effort to develop local distribution network and e-commerce platforms during the Year. In terms of e-commerce platforms, the Group continued its collaboration with platforms including Tmall International, JD.com, Douyin, xiaohongshu.com, and Health Post, etc.

The overseas diversified sales platforms of the Group mainly include international distribution network broadly distributed in countries including the United Kingdom, Germany, Singapore, Vietnam, and Thailand, as well as local large chain pharmacies, health goods supermarkets and tourist souvenir shops in New Zealand and Australia.

* *For identification purpose only*

FINANCIAL REVIEW

Results

The revenue of the Group for the Year was approximately RMB252.3 million, representing a decrease of approximately 14.9% from approximately RMB296.5 million in 2020.

The Group recorded a loss of approximately RMB31.7 million for the Year, representing a decrease of approximately 36.1% as compared with a loss of approximately RMB49.6 million in 2020. The Company's loss per share was approximately RMB3.35 cents (2020: loss per share of approximately RMB5.24 cents) based on the weighted average number of 946,298,370 (2020: 946,298,370) ordinary shares of the Company in issue during the Year.

Revenue

The revenue of the Group decreased by approximately 14.9% from approximately RMB296.5 million in 2020 to approximately RMB252.3 million for the Year. During 2021, due to the Company's strategic adjustments to focus its resources on the sales and promotion of the Good Health brand, the Company disposed of a subsidiary, Shanghai Hejian, which was previously responsible for the Group's online call centres business. As a result, the revenue derived from the online call centres business decreased by approximately 88.8% from approximately RMB26.9 million in 2020 to approximately RMB3.0 million for the Year. At the same time, due to adjustments to its sales strategy which was in line with the changing consumer patterns in the market, the Group continued to reduce its contributions in promotion fee for sales through TV shopping platforms in 2021, and the sales of TV shopping channel decreased by approximately 49.6% from approximately RMB67.1 million in 2020 to approximately RMB33.8 million for the Year.

Gross profit

The Group's gross profit decreased by approximately 18.7% from approximately RMB170.7 million in 2020 to approximately RMB138.8 million for the Year. The Group's average gross profit margin slightly decreased from approximately 57.6% in 2020 to approximately 55.0% for the Year. The decrease in gross profit was mainly due to lower sales revenue from the online call centres and TV shopping platforms.

Other income and gains

The Group's other income and gains mainly comprised bank interest income, government grants income, rental income and gain on disposal of a subsidiary, Shanghai Hejian, which increased from approximately RMB12.7 million in 2020 to approximately RMB15.1 million for the Year.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately 20.2% from approximately RMB132.9 million in 2020 to approximately RMB106.0 million for the Year, representing approximately 44.8% and 42.0% of the Group's revenue in 2020 and for the Year respectively. Such decrease in expenses was mainly due to the decrease in staff remuneration expenses arising from the disposal of equity interest in Shanghai Hejian, as well as reduction in promotion expenses for TV shopping channels due to the adjustment of sales strategy.

Administrative expenses

The Group's administrative expenses decreased by approximately 9.5% from approximately RMB77.6 million in 2020 to approximately RMB70.2 million for the Year, representing approximately 26.2% and 27.8% of the Group's revenue in 2020 and for the Year, respectively. The main reason for the decrease in expenses was a decrease in daily operating expenses and depreciation of intangible assets and right-of-use assets of Shanghai Hejian following disposal of Shanghai Hejian.

Income tax (credit)/expense

The Group recorded income tax credit of approximately RMB1.4 million for the Year and an income tax expense of approximately RMB5.4 million in 2020. The income tax expense in 2020 was mainly because the Group derecognised deferred income tax assets of Shanghai Hejian of RMB4.2 million in 2020.

The Group's actual tax rates in 2020 and for the Year were approximately 12.3% and (4.2%), respectively.

Loss for the Year

As a result of the foregoing, compared with a loss of approximately RMB49.6 million in 2020, the Group recorded a loss of approximately RMB31.7 million for the Year, representing a decrease of approximately 36.1%.

The loss for the Year was mainly due to the following factors:

1. The Group's reduction in promotion expenses of TV shopping platforms resulted in the decrease in sales revenue from overseas distributor channels and TV shopping channels.

2. Due to the COVID-19 pandemic, the production volume of the Good Health products in New Zealand was affected to a certain extent, resulting in an increase in product costs and a decrease in gross profit margin.

Reasons for decrease in loss

Such decrease in loss was mainly attributable to: (i) the Group's enhanced management of selling and distribution expenses, which led to the decrease in the ratio of selling and distribution expenses to revenue for the year ended 31 December 2021; and (ii) the decrease in the impairment loss of goodwill and other intangible assets recorded for the year ended 31 December 2021 as compared to the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

During the Year, the Group's cash and cash equivalents decreased by approximately RMB5.1 million, which mainly comprised the net cash inflow from operating activities with the amount of RMB0.4 million, net cash inflow from investing activities of approximately RMB1.5 million, net cash outflow used in financing activities of approximately RMB4.4 million and exchange loss of approximately RMB2.6 million.

Inventories

The Group's inventories amounted to approximately RMB60.0 million as at 31 December 2021 (as at 31 December 2020: approximately RMB83.1 million). The Group's inventories include raw materials, work-in-progress, finished goods and goods merchandise. The balance of inventories decreased by approximately 27.8% compared with that as at 31 December 2020. The inventory turnover period was approximately 228 days for the Year (2020: 251 days), decreasing by 23 days compared with that of 2020, mainly because of the rapid turnover of the core product Modified Milk Powder with lactoferrin and the Group's effort to improve the stock management.

Trade receivables

The Group's trade receivables amounted to approximately RMB26.2 million as at 31 December 2021 (as at 31 December 2020: approximately RMB33.0 million), representing a decrease of approximately RMB6.8 million. The decrease of trade receivables was mainly due to the decrease of sales through TV shopping channel.

Trade payables

The Group's trade payables decreased by approximately RMB0.5 million to approximately RMB15.7 million as at 31 December 2021 (as at 31 December 2020: approximately RMB16.2 million).

Foreign exchange exposure

As the Group conducts in-bound transactions principally in RMB and outbound transactions principally in New Zealand dollar and Australian dollar, the Group had not utilised any financial instruments for hedging purposes as at 31 December 2021.

Borrowings and pledge of assets

As at 31 December 2021, the Group did not have any outstanding borrowings or pledge of assets.

Capital expenditure

During the Year, the Group invested approximately RMB1.1 million (2020: approximately RMB2.6 million) for the establishment of research & development centre, plant and equipment.

Capital commitments and contingent liabilities

As at 31 December 2021, the Group did not have material capital commitments (as at 31 December 2020: Nil).

OUTLOOK

In 2021, due to the continuation of the COVID-19 pandemic, the Group's day-to-day operating activities were adversely affected due to a decrease in revenue from sales in overseas tourism markets, coupled with weakened operational efficiency and instability of the global supply chain. The Group is continuously adapting to the COVID-19 pandemic and looking for solutions to carry out production and operation activities despite the impact of the COVID-19 pandemic. In 2021, the Group adjusted some of its original brands and sales channels, and disposed of Shanghai Hejian, which was responsible for the online call center business, and Hejian brand. The Group has been optimising its cost structure and focusing resources on the Company's two core businesses — nutritional supplements targeting young and middle-aged consumers and nutritional supplements for infants and children, while vigorously developing cross-border e-commerce and offline distribution in the PRC market.

According to statistics from third-party institutions, by the end of 2021, the market size of nutritional supplements in the PRC will reach approximately RMB190 billion, with an annual amount of approximately US$20 per capita spent on nutritional supplements, representing a huge gap as compared to countries in Europe, America, and Japan. In line with the increase in consumption in the Chinese market, customers wish to have access to more scientific, special, convenient and niche products. As a result of the COVID-19 pandemic, the public has increasingly become aware of healthcare. In the meantime, the PRC regulatory bodies continue to introduce laws and regulations to improve the relevant industry. The above factors have created a favorable external environment for the Group's business development.

In 2022, the Group will strengthen the research and development of new products, especially the maternal and infant products series for the PRC market, and launch more new products to meet the demands of consumers. Meanwhile, the Group will continue to strengthen its publicity and promotional efforts through cross-border e-commerce channels to enhance the influence of the Good Health brand in the target markets.

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 employees are able to obtain on-going trainings 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 2021, the Group employed a work force of 279 employees (as at 31 December 2020: 449 employees). The total salaries and related costs for the Year amounted to approximately RMB68.9 million (as at 31 December 2020: approximately RMB72.8 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 the code of conduct for 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. Yu Bo, 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 Friday, 10 June 2022. 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 Wednesday, 11 May 2022 to Friday, 10 June 2022, 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 Tuesday, 10 May 2022.

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, 30 March 2022

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. Yu Bo, Ms. Cai Tianchen and Mr. Wang Wei.

* *For identification purpose only*