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)

(1) FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020; AND (2) SUPPLEMENTAL ANNOUNCEMENT — DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF SUBSIDIARY

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 8.1% to RMB296.5 million (2019: RMB322.6 million).
- Gross profit increased by approximately 8.9% to RMB170.7 million (2019: RMB156.8 million).
- Loss for the Year was approximately RMB49.6 million (2019: Loss of RMB194.7 million).
- Loss per share was RMB5.24 cents (2019: Loss per share RMB20.57 cents).
- The Board does not recommend the payment of any final dividend (2019: Nil) for the Year or any special dividend (2019: 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 2020 (the "**Year**") together with the comparative figures for the year ended 31 December 2019 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	**2020** **RMB'000**	2019 *RMB'000*
Revenue	*4*	**296,525**	322,613
Cost of sales		**(125,821)**	(165,775)
Gross profit		**170,704**	156,838
Other income and gains	*4*	**12,735**	8,673
Selling and distribution expenses		**(132,898)**	(185,436)
Administrative expenses		**(77,571)**	(85,187)
Finance costs		**(1,275)**	(3,601)
Other expenses		**(15,857)**	(72,841)
Loss before tax		**(44,162)**	(181,554)
Income tax expense	*6*	**(5,443)**	(13,104)
Loss for the year		**(49,605)**	(194,658)
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		**(231)**	2,153
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, after tax:			
Gains on property revaluation		**1,049**	101
Total comprehensive loss for the year		**(48,787)**	(192,404)
Loss attributable to:			
Owners of the parent		**(49,605)**	(194,658)
Total comprehensive loss attributable to:			
Owners of the parent		**(48,787)**	(192,404)
		RMB	*RMB*
Loss per share attributable to ordinary equity holders of the parent:			
— Basic and diluted	*8*	**(5.24) cents**	(20.57) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**108,363**	154,966
Investment properties		**40,608**	2,630
Right-of-use assets		**19,514**	28,880
Goodwill	*9*	**34,491**	43,413
Other intangible assets		**24,751**	30,361
Deferred tax assets		**9,830**	12,763
Other non-current assets		**176**	5,454
Total non-current assets		**237,733**	278,467
Current assets			
Inventories	*10*	**83,145**	89,751
Trade receivables	*11*	**33,040**	44,400
Prepayments, deposits and other receivables		**14,431**	17,434
Tax recoverable		**2,995**	3,462
Pledged deposits		**1,271**	1,685
Cash and cash equivalents		**77,116**	107,521
Total current assets		**211,998**	264,253
Total assets		**449,731**	542,720
Current liabilities			
Trade payables	*12*	**16,185**	13,495
Other payables and accruals		**42,999**	59,318
Interest-bearing bank borrowings		**–**	27,500
Lease liabilities		**4,777**	6,256
Tax payables		**6,445**	6,545
Total current liabilities		**70,406**	113,114
Net current assets		**141,592**	151,139
Total assets less current liabilities		**379,325**	429,606

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

	2020 *RMB'000*	2019 *RMB'000*
Non-current liabilities		
Lease liabilities	**8,686**	13,013
Deferred tax liabilities	**7,499**	4,715
Provision	**777**	728
Total non-current liabilities	**16,962**	18,456
Net assets	**362,363**	411,150
Equity		
Equity attributable to owners of the parent		
Share capital	**94,630**	94,630
Other reserves	**267,733**	316,520
Total equity	**362,363**	411,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 30/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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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	*COVID-19 Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

Except for the amendment to HKFRS 16 described below, the adoption of these revised standards did not have any material effect on the financial performance and position of the Group.

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 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the Year, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reduction in the scale of production as a result of the COVID-19 pandemic 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 pandemic during the Year. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB210,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to the corresponding right-of-use assets for the Year.

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*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[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 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 1	*Disclosure of Accounting Policies* [3]
Amendments to HKAS 8	*Definition of Accounting Estimates*[3]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 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
6 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

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.

(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:

	2020	2019
	RMB'000	*RMB'000*
PRC	**190,808**	202,653
New Zealand	**92,274**	107,075
Australia	**4,227**	6,380
Vietnam	**1,334**	842
Other countries	**7,882**	5,663
	296,525	322,613

(c) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
PRC	**161,264**	172,191
New Zealand	**31,742**	43,582
Australia	**230**	1,064
	193,236	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 for the Year (2019: 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:

	2020	2019
	RMB'000	*RMB'000*
Type of goods or services		
Sale of goods	**296,456**	322,454
Rendering of services	**69**	159
Total revenue from contracts with customers	**296,525**	322,613
Timing of revenue recognition		
Goods or services transferred at a point in time	**296,525**	322,613
Total revenue from contracts with customers	**296,525**	322,613

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:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**7,386**	7,957

	2020	2019
	RMB'000	*RMB'000*
Other income and gains		
Government grants*	**8,302**	3,333
Reversal of provision of trade receivables	**1,537**	663
Rental income	**1,071**	64
Bank interest income	**689**	2,895
Fair value gains on investment properties	**679**	–
Foreign exchange differences, net	**440**	1,539
Others	**17**	179
	12,735	8,673

* 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	2020 RMB'000	2019 RMB'000
Cost of inventories sold		**119,269**	162,481
Depreciation of property, plant and equipment		**13,214**	12,841
Depreciation of right-of-use assets		**5,908**	6,737
Lease payments not included in the measurement of lease liabilities		**650**	5,368
Amortisation of intangible assets*		**2,806**	3,667
Auditor's remuneration		**2,380**	2,580
Research and development expenses		**5,176**	3,538
Changes in fair value of investment properties		**(679)**	–
Employment benefit expense (excluding directors', supervisors' and chief executive's remuneration):			
Wages and salaries		**63,029**	71,672
Pension scheme contributions		**2,128**	4,282
Other benefits		**3,481**	6,432
Foreign exchange differences, net		**(440)**	(1,539)
Impairment loss of goodwill**	*9*	**8,993**	34,798
Impairment loss of other intangible assets**		**2,738**	36,066
Reversal of provision of trade receivables		**(1,537)**	(663)
Write-down of inventories to net realisable value***		**6,552**	3,294
Bank interest income		**(689)**	(2,895)
Government grants		**(8,302)**	(3,333)
Loss on disposal of items of property, plant and equipment		**3,888**	49

* 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.

** 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 EXPENSE

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

	2020	2019
	RMB'000	*RMB'000*
Current		
— PRC	**23**	998
— New Zealand	**55**	175
Overprovision in prior years	**–**	(941)
	78	232
Deferred	**5,365**	12,872
Total tax expense for the year	**5,443**	13,104

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

	2020	2019
	RMB'000	*RMB'000*
Dividends approved and paid	**–**	–

The Board has resolved not to declare any final dividend for the year ended 31 December 2020 (2019: 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 (2019: 946,298,370) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculation of basic loss per share is based on:

	2020	2019
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	**(49,605)**	(194,658)

	2020	2019
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

	2020	2019
	RMB'000	*RMB'000*
At 1 January		
Cost	**148,719**	147,715
Accumulated impairment	**(105,306)**	(70,446)
Cost at 1 January, net of accumulated impairment	**43,413**	77,269
Impairment during the year	**(8,993)**	(34,798)
Exchange realignment	**71**	942
Cost at 31 December, net of accumulated impairment	**34,491**	43,413
Cost at 31 December		
Cost	**148,820**	148,719
Accumulated impairment	**(114,329)**	(105,306)
Net carrying amount	**34,491**	43,413

10. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**23,518**	19,924
Work-in-progress	**1,432**	2,231
Finished goods	**57,557**	62,643
Goods merchandise	**638**	4,953
	83,145	89,751

11. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**35,539**	48,724
Impairment	**(2,499)**	(4,324)
	33,040	44,400

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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**20,883**	17,106
Over 1 month but within 3 months	**9,480**	15,293
Over 3 months but within 1 year	**1,941**	11,444
Over 1 year	**736**	557
	33,040	44,400

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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**7,103**	4,487
Over 1 month but within 3 months	**6,109**	4,760
Over 3 months but within 1 year	**2,223**	2,477
Over 1 year	**750**	1,771
	16,185	13,495

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 2020, the Group continued to implement its established development strategy and focused on the Good Health brand, vigorously enhanced the growth of the maternity and child series products under the Good Health brand in the PRC's market, continued to diversify its various sales channels including distributors and e-commerce platforms, and strengthened the marketing of the Good Health brand series products. Because of the decrease of sales in TV shopping platforms, the Group recorded revenue for the Year of approximately RMB296.5 million, representing a decrease of approximately 8.1% as compared to approximately RMB322.6 million in 2019. As the Group's strategic adjustments have achieved initial results in 2020, the Group recorded a loss of approximately RMB49.6 million for the Year, representing a significant decrease of approximately 74.5% as compared to a loss of approximately RMB194.7 million in 2019.

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 achieve increasingly higher brand recognition of Good Health brand in the target markets. The Group carried out continuous brand building and promotion mainly through combination of distributors, TV shopping platforms and travel channels, and at the same time by flagship stores on domestic 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 strategy for research and product development to further strengthen the development of new products. During the Year, the Group has launched a total of 35 new products, including 3 Zhongsheng series products, 7 Hejian series products, 20 Good Health series products and 5 Living Nature series products. The new products mainly comprise children's growth formula goat milk powder, lactase modified milk powder, calcium iron zinc nutrition package, fish collagen peptide solid beverage and olive leaf capsules.

For the PRC's market, the Group has made great effort to develop domestic distribution network and e-commerce platforms during the Year. In terms of e-commerce platforms, the Group continued to cooperate with e-commerce platforms such as Tmall International, JD.com, suning.com, xiaohongshu.com and Health Post.

The Group's overseas diversified sales platforms mainly include international distribution network broadly distributed in countries including the United Kingdom, Germany, Singapore, Vietnam and Thailand, 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 for the Year was approximately RMB296.5 million, representing a decrease of approximately 8.1% from approximately RMB322.6 million in 2019. The Group recorded a loss of approximately RMB49.6 million for the Year, as compared to a loss of approximately RMB194.7 million in 2019, representing a decrease of approximately 74.5%. The Company's loss per share was approximately RMB5.24 cents (2019: loss per share of approximately RMB20.57 cents) based on the weighted average number of 946,298,370 (2019: 946,298,370) ordinary shares of the Company in issue for the Year.

Revenue

The revenue of the Group decreased by approximately 8.1% from approximately RMB322.6 million in 2019 to approximately RMB296.5 million for the Year. As of the end of 2020, as a result of the change of sales strategy and the Group reduced its contributions in package fee for sales through TV shopping platforms, the sales of TV shopping channel decreased by 29.4% from approximately RMB95.0 million in 2019 to approximately RMB67.1 million for the Year; and the revenue of online call centres decreased by approximately 20.9% from approximately RMB34.0 million in 2019 to approximately RMB26.9 million for the Year as the Group changed its sales strategy and focused more on distributors and e-commence platforms.

Gross profit

The Group's gross profit increased by approximately 8.9% from approximately RMB156.8 million in 2019 to approximately RMB170.7 million for the Year. The Group's average gross profit margin increased from approximately 48.6% in 2019 to approximately 57.6% for the Year. Such increase in gross profit margin was mainly due to the increase in revenue from sale of the maternity and child series products under the Good Health brand (with relatively higher gross profit margin) through the domestic distribution channels. Accordingly, the overall gross profit margin had been improved during the Year.

Other income and gains

The Group's other income and gains mainly comprised government grants, rental income and reversal of provision of trade receivables, which increased from approximately RMB8.7 million in 2019 to approximately RMB12.7 million for the Year.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately 28.3% from approximately RMB185.4 million in 2019 to approximately RMB132.9 million for the Year, representing approximately 57.5% and 44.8% of the Group's revenue in 2019 and for the Year respectively. Such decrease was mainly due to the decrease in promotion expenses for TV shopping channel for the Year; as the Group reduced advertising and promotion expenses for Living Nature brand in response to the anticipated shadowing effect on advertising caused by COVID-19. In accordance with the strategic deployment of the Group, the Group closed down its domestic outlets whose performance was below expectations and cut down the number of personnel in the online call centres, thus reduced the staff remuneration expenses.

Administrative expenses

The Group's administrative expenses decreased by approximately 8.9% from approximately RMB85.2 million in 2019 to approximately RMB77.6 million for the Year, representing approximately 26.4% and 26.2% of the Group's revenue in 2019 and for the Year respectively. Such decrease was mainly due to the Group closed down its old domestic offline subsidiaries and cut down the number of personnel in the online call centres, thus reduced the administrative staff remuneration expenses.

Impairment of goodwill

The Group recognised an impairment of goodwill of approximately RMB9.0 million for the Year.

Additional information in relation to the basis of the determination of the impairment is set out below:

Impairment for goodwill of Living Nature

The recoverable amount of each cash-generating unit ("**CGU**") has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management of the Group. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below.

The key assumptions, long-term growth rates and discount rates used in the value-in-use calculation for each of the CGUs with significant amount of goodwill for the years ended 31 December 2020 and 31 December 2019 are as follows:

	Living Nature for the year ended 31 December	
	2020	2019
Sales annual growth rate (%)	**2%–34%**	2%–25%
Gross margin (% of revenue)	**62%–64%**	68%–69%
Long-term growth rate	**2%**	2%
Pre-tax discount rate(%)	**21.2%**	21.6%

The key assumptions on which management of the Group has based its cash flow projections to undertake impairment testing of goodwill are as follows:

1. Budgeted gross margins

   The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

2. Discount rates

   The discount rates used are before tax and reflect specific risks relating to the relevant units.

3. Long-term growth rate

   The long-term growth rates used are based on common industry practice.

The values assigned to the key assumptions on market development of the CGUs, the discount rates and long-term growth rate are consistent with external information sources.

During the Year, the Group recognised an impairment loss of approximately RMB9.0 million in relation to the goodwill of Living Nature CGU (2019: approximately RMB34.8 million in relation to the goodwill of the Hejian CGU), arising from the acquisition of Living Nature, the principal activity of which is the manufacture and sale of Living Nature series cosmetics and skin care products. Due to the effect of COVID-19, the operating performances and the growth rate of the Living Nature CGU were below expectations which resulted in an operating loss.

Accordingly, management of the Group provided for the impairment in the year ended 31 December 2020.

Income tax expense

The Group recorded an income tax expense of approximately RMB5.4 million for the Year and an income tax expense of approximately RMB13.1 million in 2019, primarily resulting from the derecognition of deferred income tax assets recognised in previous years in the Year.

The Group's actual tax rates in 2019 and for the Year were approximately 7.2% and 12.3%, respectively.

Loss for the Year

As a result of the foregoing, compared with a loss of approximately RMB194.7 million for the year ended 31 December 2019, the Group recorded a loss of approximately RMB49.6 million for the Year, representing a significant decrease of approximately 74.5%.

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

1. The impact of the outbreak of COVID-19 and the Group's reduction in package fee of TV shopping platforms and the resource input of online call centres resulted in the decrease in sales revenue from TV shopping channels and online call centres.

2. Although the selling and distribution expenses and administrative expenses for the Year decreased by approximately 22.2% to approximately RMB60.2 million as compared with 2019, expenses as a percentage of revenue were still relatively high.

3. At the end of the Year, the Group re-assessed the performance of Living Nature for the Year and in the coming years. As the performance of Living Nature was below the Group's expectation, the Group recognised provision for impairment loss of Living Nature CGU.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

During the Year, the Group's cash and cash equivalents decreased by approximately RMB30.4 million, which mainly comprised the net cash inflow from operating activities with the amount of RMB16.4 million, net cash outflow used in investing activities with the amount of approximately RMB12.5 million, net cash outflow used in financing activities with the amount of approximately RMB34.1 million and exchange loss of approximately RMB0.2 million.

Inventories

The Group's inventories amounted to approximately RMB83.1 million as at 31 December 2020 (as at 31 December 2019: approximately RMB89.8 million). The Group's inventories include raw materials, work-in-progress, finished goods and goods merchandise. The balance of inventories decreased by approximately 7.5% compared with that as at 31 December 2019. The inventory turnover period was approximately 251 days for the Year (2019: 221 days), increasing by 30 days compared with that of 2019, which was mainly due to the fall of the sales of Living Nature series products as a result of COVID-19 and thus increase in inventory level.

Trade receivables

The Group's trade receivables amounted to approximately RMB33.0 million as at 31 December 2020 (as at 31 December 2019: approximately RMB44.4 million), representing a decrease of approximately RMB11.4 million. The decrease of trade receivables was mainly due to (i) the decrease of sales through TV shopping channel; and (ii) the increase in collection of trade receivables attributable to the enhance in control over trade receivables from distributors by Good Health Products Limited.

Trade payables

The Group's trade payables amounted to approximately RMB16.2 million as at 31 December 2020 (as at 31 December 2019: approximately RMB13.5 million), representing an increase of approximately RMB2.7 million, mainly because the Group fully utilised the credit terms granted by the suppliers this year.

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 2020.

Borrowings and pledge of assets

As at 31 December 2020, the Group did not have any outstanding borrowings or pledge of assets.

Capital expenditure

During the Year, the Group invested approximately RMB2.6 million (2019: approximately RMB25.7 million) for the establishment of research & development centre, plant and equipment.

Capital commitments and contingent liabilities

As at 31 December 2020, the Group did not have material capital commitments (as at 31 December 2019: Nil).

SUBSEQUENT IMPORTANT EVENT AFTER THE YEAR AND SUPPLEMENTAL INFORMATION IN RELATION TO DISCLOSEABLE TRANSACTION — DISPOSAL OF SUBSIDIARY ("DISPOSAL")

In March 2021, the Company and Zhongke Health Industry Group Co., Limited* (中科健康產業集團股份有限公司) ("**Zhongke**") entered into an equity purchase agreement (the "**Agreement**"), pursuant to which Zhongke has conditionally agreed to acquire 100% equity interest in Shanghai Hejian Nutritional Food Product Company Limited* (上海禾建營養食品有限公司) ("**Hejian**"), a company established in the PRC with limited liability and was a wholly-owned subsidiary of the Company immediately before completion of such Disposal ("**Completion**"), at a consideration of RMB10.0 million to be settled in cash. Please refer to the announcement ("**Announcement**") of the Company dated 18 March 2021 for further details.

The Board would like to supplement the following additional information to the Announcement. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Basis of determination of the consideration

The consideration was determined after arm's length negotiations between the parties to the Agreement with reference to (i) the net asset value as stated in the management accounts of Hejian as at 28 February 2021; and (ii) the expected future benefits to be derived by Zhongke from Hejian's intangible assets, including the online sale licences owned by Hejian and its client network.

Having considered the above factors, the Board (including the independent non-executive Directors) considers that the consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the shareholders as a whole.

Information on Hejian

Hejian is a limited company established in the PRC and principally engaged in retailing of health food products, mainly the Hejian brand products, via online call centre. As at the date of this announcement and immediately before Completion, Hejian was wholly-owned by the Company.

The management financial information of Hejian for each of the years ended 31 December 2020 and 2019 is as follows:

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**27,551**	35,491
Loss before tax	**(9,464)**	(82,880)
Loss for the year	**(13,558)**	(71,065)

* *For identification purpose only*

Based on the management accounts of Hejian for the two months ended 28 February 2021, the net assets value of Hejian including the intangible assets arising from the acquisition of Hejian was approximately RMB6.0 million as at 28 February 2021.

Use of proceeds

There will be net proceeds of approximately RMB10.0 million from the Disposal. The Company intends such proceeds to be used for general working capital of the Group.

Financial effect of the Disposal

Upon Completion, Hejian will cease to be a subsidiary of the Company. As such, the financial results of Hejian will no longer be consolidated into those of the Group.

Based on (i) the cash consideration of the Disposal of RMB10.0 million; and (ii) the net asset value of Hejian as at 28 February 2021 of approximately RMB6.0 million; the estimated gain on the Disposal is approximately RMB4.0 million. Shareholders should note that the financial effect set out in the above is for illustrative purpose only. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to the review and final audit by the auditor of the Company.

OUTLOOK

The year of 2020 was meant to be extraordinary. In light of the outbreak of COVID-19 at the beginning of the Year, the global economy, the living of the public and ordinary business activities of enterprises have been adversely affected. Facing the unexpected situations, the Group actively responded and maintained ongoing operation of its business and minimised the impact of COVID-19, while the safety and health of the Group's employees is the top priority of the Group. The Group's strategic plan has been focusing on Good Health brand and vigorously developing sales channels for domestic distributors and e-commerce in the recent years, with preliminary results achieved in early 2020. COVID-19 aroused public attention to the health of themselves and their family members, thereby increasing the sales revenue generated from immune products under Good Health brand and maternity and child products.

It was no doubt that the huge market for dietary supplements in PRC, people's pursuit of health and ongoing high-standard supervision over such industry by the PRC government created a good external environment for the development of the Group. In 2021, the Group will continue to focus resources on the development of Good Health brand, distributors and e-commerce channels. The Group will accelerate the innovation in the launch and marketing promotion of new products of the maternity and child series under Good Health brand, optimise its supply chain management and improve operational efficiency, so as to enhance its overall profitability.

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 2020, the Group employed a work force of 449 employees. The total salaries and related costs for the Year amounted to approximately RMB72.8 million (as at 31 December 2019: approximately RMB86.0 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 and Corporate Governance Report (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 Friday, 11 June 2021. 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, 12 May 2021 to Friday, 11 June 2021, 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, 11 May 2021.

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 2021

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*