# 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 2014

## FINANCIAL HIGHLIGHTS FOR THE FIRST HALF OF 2014

- Turnover increased by 11.6% to RMB96.0 million (First half of 2013: RMB86.0 million)
- Gross profit increased by 15.1% to RMB86.0 million (First half of 2013: RMB74.7 million)
- Profit for the period increased by 10.4% to RMB32.8 million (First half of 2013: RMB29.7 million)
- Basic earnings per share decreased by 20.0% to RMB4 cents (First half of 2013: RMB5 cents)
- The Board proposed not to declare any interim dividend for the six months ended 30 June 2014 (First half of 2013: RMB26 million)

## INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Nanjing Sinolife United Company Limited (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 2014 together with the comparative figures for the corresponding period in 2013 which are as follows:

* *For identification purposes only*

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June*

| | *Notes* | **2014** *RMB'000* **(unaudited)** | 2013 *RMB'000* (audited) |
|---|---|---|---|
| Turnover | *2* | **95,981** | 85,965 |
| Cost of sales | | **(9,973)** | (11,264) |
| Gross profit | | **86,008** | 74,701 |
| Other revenue and other gains and losses | *3* | **202** | 581 |
| Selling and distribution expenses | | **(25,236)** | (22,216) |
| Administrative expenses | | **(16,018)** | (10,750) |
| Listing expenses | | **(2,133)** | (2,038) |
| Profit before income tax | *4* | **42,823** | 40,278 |
| Income tax expense | *5* | **(10,019)** | (10,578) |
| **Profit for the period** | | **32,804** | 29,700 |
| **Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax** | | | |
| Exchange differences on translation of foreign operations | | **162** | (412) |
| **Total comprehensive income for the period** | | **32,966** | 29,288 |
| | | ***RMB*** | *RMB* |
| **Earnings per share:** | | | |
| – Basic and diluted | *7* | **0.04** | 0.05 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2014*

| | Notes | **As at 30 June 2014 RMB'000 (unaudited)** | As at 31 December 2013 RMB'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *8* | **22,075** | 21,770 |
| Prepaid land lease payments | | **4,115** | 4,165 |
| Intangible assets | | **–** | 32 |
| Deferred tax assets | | **798** | 1,122 |
| Total non-current assets | | **26,988** | 27,089 |
| **Current assets** | | | |
| Inventories | | **4,459** | 7,124 |
| Prepaid land lease payments | | **101** | 101 |
| Trade and other receivables | *9* | **12,746** | 12,651 |
| Cash and bank balances | | **524,105** | 164,780 |
| Total current assets | | **541,411** | 184,656 |
| Total assets | | **568,399** | 211,745 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **8,575** | 19,505 |
| Amount due to a director | | **13** | 12 |
| Income tax payables | | **6,474** | 8,346 |
| Total current liabilities | | **15,062** | 27,863 |
| **Net current assets** | | **526,349** | 156,793 |
| **Net assets** | | **553,337** | 183,882 |
| **Capital and reserves** | | | |
| Share capital | | **83,817** | 61,111 |
| Reserves | | **469,520** | 122,771 |
| **Total equity** | | **553,337** | 183,882 |

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

### 1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 (the "**Interim Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Hong Kong Accounting Standard (the "**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Interim Financial Statements have been prepared under the historical cost convention modified by the revaluation of certain financial instruments.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2013 (the "**Annual Financial Statements**"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

### 2. SEGMENT INFORMATION

#### (a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is manufacture and sale of nutritional supplements and sale of packaged health food products in the People's Republic of China (the "**PRC**" or "**China**").

#### (b) Geographical information

Most of the group companies are domiciled in the PRC and majority of the non-current assets are located in the PRC. All the Group's revenue from external customers are derived in the PRC.

#### (c) Revenue from major products

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

| | **Six months ended** | |
|---|---|---|
| | **30 June 2014** | 30 June 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Nutritional supplements developed and manufactured in China | **56,863** | 36,635 |
| Australian or New Zealand manufactured food and nutritional supplements | **38,517** | 48,510 |
| Others | **601** | 820 |
| | **95,981** | 85,965 |

#### (d) Information about major customers

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

## 3. OTHER REVENUE AND OTHER GAINS AND LOSSES

Other revenue and other gains and losses comprise:

| | Six months ended 30 June 2014 RMB'000 (unaudited) | 30 June 2013 RMB'000 (audited) |
|---|---|---|
| Bank interest income | **4,127** | 180 |
| Short term investment income | **–** | 242 |
| Net exchange (loss)/gain | **(3,957)** | 126 |
| Gain/(loss) on disposal of property, plant and equipment | **6** | (3) |
| Compensation income | **–** | 34 |
| Others | **26** | 2 |
| | **202** | 581 |

## 4. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

| | Six months ended 30 June 2014 RMB'000 (unaudited) | 30 June 2013 RMB'000 (audited) |
|---|---|---|
| Cost of inventories sold | **8,270** | 9,643 |
| Staff costs | **18,938** | 17,820 |
| Amortisation of prepaid land lease payments | **50** | 51 |
| Amortisation of intangible assets | **32** | 33 |
| Auditor's remuneration | **54** | 47 |
| Depreciation of property, plant and equipment | **1,985** | 1,389 |
| Operating lease payments on properties and shops *(note)* | **5,683** | 2,884 |
| Research and development expenses | **490** | 383 |
| Listing expenses | **2,133** | 2,038 |

*Note:* Included was contingent rental of RMB2,237,000 incurred during the six months ended 30 June 2014 (First half of 2013: RMB922,000).

## 5. INCOME TAX EXPENSE

(a) The amounts of income tax expenses in the condensed consolidated statement of comprehensive income represent:

| | Six months ended 30 June 2014 RMB'000 (unaudited) | 30 June 2013 RMB'000 (audited) |
|---|---|---|
| Current tax – PRC Enterprise Income Tax | | |
| – Provision for the period | **9,695** | 10,077 |
| Current tax – Australia Income Tax | | |
| – Provision for the period | **–** | – |
| | **9,695** | 10,077 |
| Deferred tax | | |
| – origination and reversal of temporary difference | **324** | 501 |
| Income tax expenses | **10,019** | 10,578 |

Provision for PRC Enterprise Income Tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC for the period.

Provision for Australian Income Tax is calculated at 30% of the assessable profits of the subsidiary in Australia for the period.

## 6. DIVIDEND

Dividend paid and payable by the Company for the six months ended 30 June 2013 and 2014 as disclosed in the condensed consolidated statement of changes in equity were as follows:

| | Six months ended 30 June 2014 RMB'000 (unaudited) | 30 June 2013 RMB'000 (audited) |
|---|---|---|
| Special dividend approved and paid/payable during the period | **–** | 26,000 |

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (First half of 2013: RMB26,000,000).

The dividend rates and the number of shares ranking for dividends in 2013 are not presented as such information is not meaningful for the purpose of the consolidated financial statements.

## 7. EARNINGS PER SHARE

The basic earnings per share for the six months ended 30 June 2013 and 2014 are calculated based on the profit of the Company for the period and on the assumption that 55,000,000 shares issued upon the transformation of the Company from a limited liability company to a joint stock limited liability company had been in issue and the subdivision of the Company's shares had been taken place since 1 January 2013.

| | **Six months ended** | |
|---|---|---|
| | **30 June 2014** | 30 June 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share | **32,804** | 29,700 |

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| | **(unaudited)** | (audited) |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **818,699,900** | 565,530,972 |
| Effect of dilutive potential ordinary shares: | | |
| – share options | **–** | – |
| Number of shares for the purpose of diluted earnings per share | **818,699,900** | 565,530,972 |

## 8. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the first half of 2014, additions to property, plant and equipment amounted to RMB2,359,000 (First half of 2013: RMB6,158,000) and disposal of property, plant and equipment with net book value amounted to RMB69,000 (First half of 2013: RMB8,000).

## 9. TRADE AND OTHER RECEIVABLES

| | **As at 30 June 2014** | As at 31 December 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Trade receivables | **4,218** | 2,140 |
| Other receivables | **499** | 381 |
| Deposits and prepayments | **8,029** | 10,130 |
| | **12,746** | 12,651 |

The ageing analysis of trade receivables (net of impairment losses) as of the end of each reporting period is as follows:

| | **As at 30 June 2014** ***RMB'000*** **(unaudited)** | As at 31 December 2013 *RMB'000* (audited) |
|---|---|---|
| Within 1 month | **3,511** | 1,923 |
| Over 1 month but within 3 months | **329** | 207 |
| Over 3 months but within 1 year | **378** | 5 |
| Over 1 year | **–** | 5 |
| | **4,218** | 2,140 |

The Group gives 15-60 days credit period on sales of goods to certain specific customers. In general, the Group has no credit period granted to all other customers, invoices would be due once they have been issued.

## 10. TRADE AND OTHER PAYABLES

| | **As at 30 June 2014** ***RMB'000*** **(unaudited)** | As at 31 December 2013 *RMB'000* (audited) |
|---|---|---|
| Trade payables | **416** | 550 |
| Other payables and accruals | **8,159** | 18,955 |
| | **8,575** | 19,505 |

All trade payables and other payables and accruals are due to be settled within twelve months.

The ageing analysis of trade payables as of the end of each reporting period is as follows:

| | **As at 30 June 2014** ***RMB'000*** **(unaudited)** | As at 31 December 2013 *RMB'000* (audited) |
|---|---|---|
| Within 1 month | **227** | 37 |
| Over 1 month but within 3 months | **15** | 496 |
| Over 3 months but within 1 year | **157** | – |
| Over 1 year | **17** | 17 |
| | **416** | 550 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

During the first half of 2014, the Group capitalised on high growth opportunities in the large and fast-growing supplements industry in China. The Group managed to sustain a double-digit growth in its revenues and earnings. The Group's turnover increased from RMB86.0 million in the first half of 2013 to RMB96.0 million for the six months ended 30 June 2014, representing a growth of 11.6%. The overall gross profit margin increased slightly from 86.9% in the first half of 2013 to 89.6% for the six months ended 30 June 2014, mainly due to the change in sales mix to sell more nutritional supplements which were developed and manufactured in China. The Group's net profit increased from RMB29.7 million in the first half of 2013 to RMB32.8 million for the six months ended 30 June 2014, representing an increase of 10.4%.

During the first half of 2014, the continuous growth of nutritional supplements industry in China was principally driven by the rising disposal income of consumers and rising awareness of the benefits of nutritional supplements. By leveraging on the branding-focused specialty store business model with broad and diversified product mix, the Group believes that it is well-positioned to capture attractive market opportunities and deliver strong growth in terms of turnover, profit and customer base.

The Group has achieved strong brand recognition in the target markets with diversified product mix. The Group has focused on brand building through the Group's retail stores under its Zhongsheng and Cobayer brands. As of 30 June 2014, the Group offered 63 retained and new products, consisting of 14 Zhongsheng series products and 49 Cobayer series products. Furthermore, the Group has launched 3 Zhongsheng series products and 12 Cobayer series products during the first half of 2014.

To achieve fast-growing product development, the Group has adopted a market-oriented research and product development process to meet evolving customer demands and needs. The Group incurred research and development costs of RMB0.4 million in the first half of 2013 and it was increased to RMB0.5 million for the six months ended 30 June 2014, mainly due to the strengthening of its marine and plant extracts products, of which the Acai Capsules and Lepidium Meyenii Walp are well-received by the market since launched. Furthermore, the Group has cooperated with sizable research institutions to launch new products extracted from the lotus plant cell cultures, such as Baozi Snow Lotus Drink which was launched during the first half of 2014.

The Group continued to participate in a variety of marketing and promotional activities during the first half of 2014 to raise customer awareness of products. The activities included (i) seasonal promotions and discounts during major holidays in China; (ii) participation in trade fairs such as Nanjing elderly fair, Shanghai international model health food fair and Jinan elderly fair; and (iii) media advertising, printing advertising in shopping malls and internet advertising.

The Group has fast-growing retail network and diversified sales platform to serve a broad customer base. The Group has a diversified sales platform with a wide geographic coverage of 34 cities in 16 provinces and centrally administered municipalities in the PRC as of 30 June 2014. The Group's diversified sales platform in the PRC primarily consists of retail stores under the Zhongsheng brand, in the form of 20 specialty stores, 14 regional sales offices and one department store concession counter, and 42 retail stores under the Cobayer brand. Our Zhongsheng retail stores are mainly located in central business districts, well-established residential areas or local transportation centres. Our Cobayer retail stores are mainly located in large and premium shopping malls. Other than the maintenance of the online Cobayer store at http://conbair.tmall.com, the Group has developed a Weixin platform (微信支付平台) and other joint platform with large enterprises and banks during the first half of 2014.

## FINANCIAL REVIEW

### Results

The turnover of the Group in the first half of 2014 was RMB96.0 million, representing an increase of approximately 11.6% from RMB86.0 million over the same period in 2013. Profit for the first half of the year increased by approximately 10.4% to RMB32.8 million in 2014 from RMB29.7 million in 2013. The Company's basic earnings per share was RMB4 cents (First half of 2013: RMB5 cents) based on the weighted average number of approximately 818.7 million (First half of 2013: 565.5 million) shares in issue during the first half of 2014. The improvement in financial results during the first half of 2014 was mainly attributable to the increased sales of the nutritional supplements which were developed and manufactured in China.

### Turnover

The turnover of the Group increased by approximately 11.6% from RMB86.0 million in the first half of 2013 to RMB96.0 million for the six months ended 30 June 2014. Sales of Zhongsheng series products significantly increased by approximately 55.0% from RMB36.6 million in the first half of 2013 to RMB56.9 million for the six months ended 30 June 2014, which was primarily due to the continuous growth in the sale of Coenzyme Q10 Tablets/Capsules of Zhongsheng series products during the six months ended 30 June 2014. Sale of Australian or New Zealand-made food and nutritional supplements decreased by approximately 20.0% from RMB48.5 million in the first half of 2013 to RMB38.5 million for the six months ended 30 June 2014, which was primarily due to the decrease in marketing and promotion activities of Cobayer series products during the six months ended 30 June 2014.

### Gross profit

The Group's gross profit increased from RMB74.7 million in the first half of 2013 to RMB86.0 million for the six months ended 30 June 2014. The Group's average gross profit margin increased from 86.9% in the first half of 2013 to 89.6% for the six months ended 30 June 2014. Such increase in gross profit margin was mainly due to the change in product mix and broadening of customer base. The broadening of customer base was due to the increase in market channels and new customers, repeated purchase by loyal customers and improvement in the marketing capability of our sales staff.

**Other revenue and other gains and losses**

The Group's other revenue and other gains and losses decreased from RMB0.6 million in the first half of 2013 to RMB0.2 million in the first half of 2014, which was mainly due to the net exchange loss in Hong Kong dollar conversion to Renminbi, and the effect was offset by the increase in interest income from bank deposits and financial products purchased from banks.

**Selling and distribution expenses**

The Group's selling and distribution expenses increased by approximately 13.5% from RMB22.2 million in the first half of 2013 to RMB25.2 million for the six months ended 30 June 2014, representing approximately 25.8% and 26.3% of the Group's turnover respectively. Such increase was primarily due to the increase in staff costs from RMB11.3 million in the first half of 2013 to RMB13.6 million for the six months ended 30 June 2014 and the increase in outlet rental and related lease expenses from RMB1.6 million in the first half of 2013 to RMB4.7 million for the six months ended 30 June 2014, as a result of rapid establishment of 14 Cobayer retail stores during the six months ended 30 June 2014. The effect of the foregoing was partially offset by the decrease of the advertising and promotional expenses.

**Administrative expenses**

The Group's administrative expenses increased by approximately 48.0% from RMB10.8 million in the first half of 2013 to RMB16.0 million for the six months ended 30 June 2014, representing approximately 12.0% and 16.0% of the Group's turnover respectively. Such increase was primarily due to the increase in (i) consultation fee from RMB0.2 million to RMB4.1 million; (ii) travelling and transportation costs from RMB0.4 million to RMB0.8 million; and (iii) the depreciation of property, plant and equipment from RMB1.2 million to RMB1.8 million. The effect of the foregoing was partially offset by the decrease of other administrative expenses.

**Listing expenses**

The Group's listing expenses incurred during the six months ended 30 June 2014 included the valuation expenses and consultancy services for legal and other professional advice in relation to the initial public offering of the Group. As the Company was listed on the Stock Exchange on 15 January 2014 (the "**Listing Date**"), the listing expenses of RMB2.1 million was incurred and recognised in the first half of 2014.

**Taxation**

Income tax expense decreased by approximately 5.0% from RMB10.6 million in the first half of 2013 to RMB10.0 million for the six months ended 30 June 2014, primarily due to the slight decrease in provision for PRC Enterprise Income Tax and deferred tax on temporary differences. The Group's effective tax rates for the six months ended 30 June 2013 and 2014 were approximately 23%.

**Profit for the period**

As a result of the foregoing, the Group's profit for the period increased from RMB29.7 million in the first half of 2013 to RMB32.8 million for the six months ended 30 June 2014. The increase was due to the increase in turnover from RMB86.0 million in the first half of 2013 to RMB96.0 million in the first half of 2014 and the effective control of cost of sales.

## LIQUIDITY AND CAPITAL RESOURCES

### Inventories

The Group's inventories decreased to RMB4.5 million (As at 31 December 2013: RMB7.1 million) as at 30 June 2014, primarily due to the effective control of inventory level by monthly meeting between the sales and purchases department, and also the better forecast of customer demand. The Group's inventories comprise raw materials, work in progress, finished goods and merchandise. During the first half of 2014, inventory turnover was approximately 106 days (First half of 2013: 192 days). The shorter inventory turnover period during the six months ended 30 June 2014 was primarily the result of significant increase in sales of nutritional supplements developed and manufactured in China.

### Trade receivables

The Group's trade receivables amounted to RMB4.2 million (As at 31 December 2013: RMB2.1 million) as at 30 June 2014. During the first half of 2014, the sole distributor was generally granted a credit term of 30 days while the shopping malls of the Cobayer retail stores were granted credit term ranging from 15 days to 60 days. Turnover days for trade receivables increased to 6 days (First half of 2013: 1 day), primarily due to the increase in the number of sales from Cobayer series products in Cobayer retail stores located in the shopping malls which involved granting credit period.

### Trade payables

The Group's trade payables amounted to RMB0.4 million (As at 31 December 2013: RMB0.6 million) as at 30 June 2014. Turnover days for trade payables decreased to 9 days (First half of 2013: 17 days), which was primarily reflecting more prompt settlement with suppliers.

### Foreign exchange exposure

As the Group conducts business transactions principally in Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes as at 30 June 2014. During the first half of 2014, a large portion of bank balances are denominated in Hong Kong Dollar raised from the initial public offer, which have been converted to Renminbi. Hence, the Group recorded an exchange loss of approximately RMB4.0 million (First half of 2013: exchange gain of RMB0.1 million).

### Borrowings and pledge of assets

The Group had no outstanding bank borrowings and pledge of assets as of 30 June 2013 and 2014.

### Capital expenditure

The Group invested approximately RMB2.4 million in the first half of 2014 (First half of 2013: RMB6.2 million) for purchase of property, plant and equipment.

**Capital commitments and contingent liabilities**

As at 30 June 2014, the Group's capital commitments were approximately RMB1.0 million (As at 31 December 2013: RMB1.1 million), all of which were related to acquisition of property, plant and equipment. The Group had no material contingent liabilities as at 30 June 2014 (As at 31 December 2013: nil).

## OUTLOOK

For the second half of 2014, the Group will continue to adopt a branding-focused specialty store business model to attract the majority of existing and potential consumers, and provide customers with health solutions, in order to distinguish itself from the competitors in the nutritional supplements market.

The Group endeavours to seize every opportunity to be the leading nutritional supplements provider in the market by continuously developing new products. Up to the date of this announcement, the Group has (i) submitted one application for new health food product and two applications for new nutritional supplements products to the PRC governmental authority; (ii) one new product in the production stage; and (iii) three new products including Kanghe Barley Seedling Green Juice Drink (Solid Drink), Baozi Snow Lotus Drinks (Fruit Drink) and Kanghe Ferment (Concentrated Fruits Fermented Drink) launched in the markets.

The Group will continue to participate in sizeable and famous elderly health care exhibitions in different cities such as the PRC's large nutritional supplements products and health food exhibition to be held in Guangzhou in September 2014 in order to enhance consumer awareness of the Group's nutritional supplements products.

The Board and the Chairman have confidence in the future development of the Group. Having a positive and pragmatic attitude towards its business development by the expansion of sales network, the Group endeavours to strengthen national sales coverage, unswervingly implement the strategy to attract the outstanding talents, expand the professional management team and marketing team and build professional business management ideas and models, in order to have a better future. Barring unforeseen circumstances, the Group is optimistic about its performance in the second half of 2014.

## HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. By providing comprehensive training and corporate culture education periodically, the employees are able to obtain on-going training and development in the nutritional supplements industry. Furthermore, the Group offers competitive remuneration packages 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 2014, the Group employed a work force of 577. The total salaries and related costs for the six months ended 30 June 2014 amounted to approximately RMB18.9 million (First half of 2013: RMB17.8 million).

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

During the period from the Listing Date up to the date of this announcement, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, save for the capitalisation issue which took place immediately before the Listing Date and the issue and allotment of an additional 23,258,000 over-allotment shares of the Company, for the purpose of covering the over-allocation in the international placing on 29 January 2014.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the listing of securities (the "**Listing Rules**") on the Stock Exchange as 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 period from the Listing Date 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 (the "**CG Code**") as set out in Appendix 14 to the Listing Rules since the Listing Date and up to the date of this announcement.

## INTERIM DIVIDEND

The Board proposed not to declare any interim dividend for the six months ended 30 June 2014 (First half of 2013: RMB26 million).

## USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING AND PLACING

The total net proceeds from the Company from the initial public offering after the issue of the over-allotment shares amounted to approximately HK$428.7 million (RMB336.4 million). As at 30 June 2014, (i) the net proceeds of accumulated approximately RMB1.2 million has been applied on the marketing and promotional activities so as to enhance the nationwide brand awareness of our Zhongsheng and Cobayer brands; (ii) the net proceeds of approximately RMB1.6 million has been used to expand the sales network by opening Zhongsheng and Cobayer retail stores; (iii) the net proceeds of approximately RMB3.4 million has been used for working capital; and (iv) the remaining net proceeds of approximately RMB330.2 million has been deposited into banks, which are intended to be applied in accordance with the proposed application as set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 31 December 2013.

## REVIEW OF THE INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2014 has 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 and written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors: Mr. Jiang Fuxin, Ms. Feng Qing and Mr. Vincent Cheng. Mr. Vincent Cheng serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit.

## PUBLICATION OF INTERIM REPORT

This interim result 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 2014 containing all the relevant information required by the Listing Rules 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, 22 August 2014

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