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Sanai Health Industry Group Company Limited

三愛健康產業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1889)

THE LISTING COMMITTEE'S DECISION TO SUSPEND TRADING IN THE COMPANY'S SHARES

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

Reference is made to the announcements of the Company dated 26 May 2019, 28 May 2019 and 4 June 2019 (the “**Announcements**”).

DECISION OF THE LISTING COMMITTEE

On 30 January 2018, the Listing Committee considered the Review Application at the review hearing. On 6 September 2019, the Company received a letter from the Listing Committee setting out its decision on the Review Application (the “**Decision Letter**”).

The Listing Committee considered all the submissions (both written and oral) made by the Company and the Stock Exchange. According to the Decision Letter, the Listing Committee decided to uphold the Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules and proceed with cancellation of the Company's listing under Rule 6.01A(1) of the Listing Rules.

As stated in the Decision Letter, the trading in the Shares will be suspended and the Company will be required to resume trading within a period of 18 months from the date of the suspension. If the Company fails to resume trading within a period of 18 months from the date of the suspension, the Stock Exchange will proceed with cancellation of the Company's listing.

According to the Decision Letter, the Listing Committee arrived at its decision for the following reasons:

Scale of operations

Pharmaceutical Businesses

1. The Pharmaceutical Products Business had diminished to a very low level of operation and recorded minimal revenue of about RMB6 million for the year ended 31 December 2018. The Company had recently acquired two new companies, i.e. Fujian Yongchun and Fujian Zhixin, to improve operation. However, both of these newly acquired companies were small and generated low revenue with minimal profits or net losses. The Company had not demonstrated how these newly acquired companies could substantially improve the level of operation and support a viable and sustainable business.
2. The Company ceased the Pharmaceutical Consultancy Business in 2018, and the Pharmaceutical Trading Business was newly commenced in 2018 and had limited operating history. The Company had only secured one distribution agreement of a short term and minimal target sales, which raised concern on the viability and sustainability of this business.
3. The Company had other new pharmaceutical business initiative, including herb cultivation and medical testing. For the herb cultivation business, the plan was preliminary and the Company had yet to build the herb plant. For the medical testing business, the Company had only started this business through the acquisition of Zentrogene in March 2019. However, this business was new and unrelated to any other existing business of the Company. Also, it recorded small revenue of around RMB10 million and minimal profits of RMB0.7 million for the year ended 31 December 2018.

Finance Leasing Business

4. The Finance Leasing Business commenced in 2017 and generated minimal revenue of RMB5.3 million and segment profit of RMB3.7 million for the year ended 31 December 2018. The Company had recently acquired a new company for business expansion, however, the new company was small in scale and generated minimal revenue with significant net loss. In addition, the Company planned to develop leasing services of medical device and rehabilitation equipment but there was no concrete plans or details.

General Trading Business

5. The General Trading Business was new with limited track record, and the Company recorded segment losses. Further, the Company decided to gradually downsize this business in any event.

Profit Forecast

6. The Company submitted its profit forecast for the years 2019 and 2020 to the Listing Committee for consideration for the Review Application, however, the Listing Committee had concern as to the credibility of such forecast. Except for interest income of about RMB6 million which was expected to be repaid under existing contracts, the forecasted revenue and the projected gross profit margin was not substantiated by historical figures or other market evidence. It was questionable that the revenue and profit projections were achievable.

Assets

7. In view of the serious doubts on the current and future business model of the Company as aforesaid, the Listing Committee as concerned that the operations of the Company's assets might not enable the Company to carry out businesses with sufficient level of operations to justify the continued listing of the Shares.
8. In light of the above, the Listing Committee considered that the Company failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under Rule 13.24 of the Listing Rules to warrant the continued listing of its Shares.

Under Rule 2B.06(2) of the Listing Rules, where the Listing Committee endorses, modifies or varies the Stock Exchange's decision or makes its own decision, the Company has the right to have the decision of the Listing Committee referred to the Listing (Review) Committee for a further and final review. The Company is still in the process of reviewing the Decision Letter and will discuss the same with the Company's legal and financial advisers, and would actively consider lodging a review request for the ruling of the Listing Committee be referred to the Listing (Review) Committee for a second review.

The Directors remind the Shareholders and potential investors that (i) the Company may or may not proceed with the review by the Listing (Review) Committee; and (ii) the outcome of such review is uncertain, if undertaken.

Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

Shareholders who have any queries about the implications of the Decision Letter are advised to obtain appropriate professional advice. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Board”	the board of Directors
“Company”	Sanai Health Industry Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1889)
“Decision”	the Stock Exchange’s decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules and proceed with cancellation of the Company’s listing under Rule 6.01A(1) of the Listing Rules pursuant to the Letter
“Directors”	the directors of the Company
“Fujian Yongchun”	Fujian Yongchun Pharmaceutical Co., Ltd., a company established in the PRC with limited liability, which is owned as to 51% by the Company
“Fujian Zhixin”	Fujian Zhixin Medicine Co., Limited (福建至信醫藥有限公司), a company established in the PRC with limited liability, which is wholly-owned by the Company
“Finance Leasing Business”	the business of provision of finance leasing services
“General Trading Business”	the business of trading of goods other than pharmaceutical products
“Group”	the Company and its subsidiaries
“Letter”	the letter dated 24 May 2019 issued by the Stock Exchange in relation to the Decision
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Pharmaceutical Consultancy Business”	the business of provision of consultancy services and sales of pharmaceutical software
“Pharmaceutical Products Business”	the business of development, manufacturing, marketing and sales of pharmaceutical products
“Pharmaceutical Trading Business”	the business of trading of pharmaceutical and healthcare products
“Review Application”	a written request to the Listing Committee made on 4 June 2019 for the Decision to be referred to the Listing Committee for review pursuant to Rule 2B.06(1) of the Listing Rules.
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Shares”	the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zentrogene”	Zentrogene Bioscience Laboratory Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Company

By Order of the Board
Sanai Health Industry Group Company Limited
Chen Chengqing
Chairman

Hong Kong, 9 September 2019

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Chen Chengqing (Chairman), Mr. Gao Borui and Mr. Yuan Chaoyang, Professor Zhang Rongqing and Mr. Cheng Hok Kai, Frederick; one non-executive director, namely, Mr. Xiu Yuan; and three independent non-executive Directors, namely, Mr. Wang Zihao, Mr. Tu Fangkui and Mr. Long Jun.