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)

INSIDE INFORMATION
BUSINESS UPDATE ON FUJIAN YONGCHUN

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

The Board hereby announces that Fujian Yongchun received a notice from Fujian FDA on 4 September 2019 that pursuant to relevant rules of the Administrative Rules Governing the Certification of Good Manufacturing Practice for Drugs (《藥品生產質量管理規範認證管理辦法》), the GMP Certificate of the production lines for the Drug has been withdrawn by the Fujian FDA due to Fujian Yongchun's violation of relevant rules of Good Manufacturing Practice for Drugs (2010 Edition) (《藥品生產質量管理規範》(2010 年版)) (the "**Withdrawal Incident**").

The withdrawal of the GMP Certificate was primarily attributable to an unannounced inspection by the Fujian FDA in June 2019, during which it discovered that Fujian Yongchun has violated several requirements under the GMP Certificate.

Since the withdrawal of the GMP Certificate on 4 September 2019, Fujian Yongchun has ceased the production of the Drug on 5 September 2019. Fujian Yongchun has rectified and reformed the existing problems strictly according to the requirements of Good Manufacturing Practice for Drugs (2010 Edition) and conducted employee training. Subsequently on 16 September 2019, Fujian Yongchun has submitted a request to the Fujian FDA to arrange an inspection of its manufacturing plants and reissue the GMP Certificate upon satisfaction of the site inspection. Fujian Yongchun is still waiting for the reply from the Fujian FDA as at the date of this announcement.

In view of the above and based on information available as at the date of this announcement, the Board believes that the cessation of production attributable to the Withdrawal Incident had considerably affected the Group's overall operation and financial performance, the Board shall use its best endeavours to resume the operations of Fujian Yongchun in full as soon as practicable upon the reissue of the GMP Certificate by the Fujian FDA.

The Company will keep the Shareholders and potential investors of the Company informed of any material developments in connection with the above by way of further announcement(s) as and when appropriate and in accordance with the requirements of the Listing Rules.

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

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The Board hereby announces that Fujian Yongchun received a notice from Fujian FDA on 4 September 2019 that pursuant to relevant rules of the Administrative Rules Governing the Certification of Good Manufacturing Practice for Drugs (《藥品生產質量管理規範認證管理辦法》), the GMP Certificate of the production lines for the Drug has been withdrawn by the Fujian FDA due to Fujian Yongchun's violation of relevant rules of Good Manufacturing Practice for Drugs (2010 Edition) (《藥品生產質量管理規範》(2010 年版)).

The Group is principally engaged in the development, manufacturing, marketing and sales of pharmaceutical products, provision of genetic testing and molecular diagnostic services, general trading and provision of finance leasing services. The Group's business in relation to the development, manufacturing, marketing and sales of pharmaceutical products are conducted through its subsidiaries, including, among others, Fujian Yongchun.

Fujian Yongchun is a high-tech enterprise in Fujian Province which is located in Yongchun County, Quanzhou City, Fujian Province, China. Fujian Yongchun owns five drug registration series (藥品批准文號) and produces five types of oral medicine, including Yangpi San* (養脾散), Sheng Sanqi San* (生三七散), Children Ji Power* (小兒積食散), Sanqi panax notoginseng capsules (三七膠囊) and phentolamine mesylate tablets (甲磺酸酚妥拉明片). Fujian Yongchun, being a non-wholly owned subsidiary of the Company, has a separate management team from the Company, and would submit a monthly report pack to the Company on a monthly basis.

During the review of the monthly reporting pack of Fujian Yongchun prepared by the management of the Fujian Yongchun submitted to the Company in October 2019, the Company noted that the GMP Certificate issued to Fujian Yongchun has been withdrawn by the Fujian FDA.

The withdrawal of the GMP Certificate was primarily attributable to an unannounced inspection by the Fujian FDA in June 2019, during which it discovered that Fujian Yongchun has violated several requirements under the GMP Certificate.

Since the withdrawal of the GMP Certificate on 4 September 2019, Fujian Yongchun has ceased the production of the Drug on 5 September 2019. Fujian Yongchun has rectified and reformed the existing problems strictly according to the requirements of Good Manufacturing Practice for Drugs (2010 Edition) and conducted employee training. Subsequently on 16 September 2019, Fujian Yongchun has submitted a request to the Fujian FDA to arrange an inspection of its manufacturing plants and reissue the GMP Certificate upon satisfaction of the site inspection. Fujian Yongchun is still waiting for the reply from the Fujian FDA as at the date of this announcement.

At the relevant time, the local PRC management personnel of Fujian Yongchun considered the GMP Certificate can be reissued in a short period of time and the associated impact to be limited as they expected that the Fujian FDA would promptly respond to the request of Fujian Yongchun to arrange for site inspection. Therefore, there was a delay in notification of the Withdrawal Incident and the Board was not informed about the Withdrawal Incident until 16 October 2019.

The Board shall use its best endeavours to resume the operations of Fujian Yongchun in full as soon as practicable upon the reissue of the GMP Certificate by the Fujian FDA, the timing of which cannot be ascertained as at the date of this announcement and is subject to the arrangement of site inspection by the Fujian FDA.

In view of the above and based on information available as at the date of this announcement, the Board believes that the cessation of production attributable to the Withdrawal Incident had considerably affected the Group's overall operation and financial performance, the Board shall use its best endeavours to resume the operations of Fujian Yongchun in full as soon as practicable upon the reissue of the GMP Certificate by the Fujian FDA.

The Board, with the assistance of the management of Fujian Yongchun, is conducting an enquiry into the circumstances leading to the Withdrawal Incident. Based on the findings of the enquiry, the Board will identify the deficiencies in the relevant internal control procedures, if any, and act appropriately to rectify such deficiencies by implementing additional internal controls, where necessary, with a view to prevent the occurrence of similar incidents in future.

The Company will keep the Shareholders and potential investors of the Company informed of any material developments in connection with the above by way of further announcement(s) as and when appropriate and in accordance with the requirements of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement unless the context otherwise requires, the following terms have the following meanings:

"Board"	the board of Directors
"Company"	Sanai Health Industry Group Company Limited 三愛健康產業集團有限公司, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company
"Drug"	Yangpi San* (養脾散)
"Fujian FDA"	Fujian Food and Drug Administration of the PRC government* (福建省食品藥品監督管理局)
"Fujian Yongchun"	Fujian Yongchun Pharmaceutical Co., Ltd.* (福建永春製藥有限公司), a company incorporated in the PRC with limited liability, is a non wholly-owned subsidiary of the Company
"GMP"	Good manufacturing practice
"GMP Certificate"	《藥品GMP証書》, the GMP certificate issued by Fujian FDA to Fujian Yongchun to produce the drugs which are in the powder dosage form
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended or revised from time to time

"PRC"	the People's Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) of HK$0.01 (each) in the capital of the Company
"Shareholders"	holders of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

* *The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.*

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

Hong Kong, 17 October 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.