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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

— Revenue from continuing operations for the year ended 31 December 2019 increased by approximately 41.07% to approximately RMB81.85 million (2018: approximately RMB58.02 million).

— Gross profits from continuing operations for the year ended 31 December 2019 was approximately RMB2.11 million (2018: approximately RMB6.78 million).

— Gross profit margin from continuing operations for the year ended 31 December 2019 was approximately 2.58% (2018: approximately 11.69%).

— Profit for the year ended 31 December 2019 amounted to approximately RMB108.48 million (2018: loss of approximately RMB229.76 million).

— Basic and diluted earnings per share attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB3.5 cents (2018: loss of approximately RMB7.7 cents)

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sanai Health Industry Group Company Limited ("**Sanai Health Industry**" or the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 ("**the year**" or "**the year under review**"), together with the comparative figures of the year ended 31 December 2018.

The Group's financial information for the year ended 31 December 2019 in this announcement was prepared on the basis of the consolidated financial statements which have been reviewed by the Company's independent auditor and the Company's audit committee. The Group has agreed with the auditor as to the contents of this results announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations			
Revenue	5	**81,854**	58,024
Cost of sales and services rendered		**(79,742)**	(51,243)
Gross profits		**2,112**	6,781
Other income and other gain, net	6	**2,678**	9,383
Distribution costs		**(248)**	(52)
Administrative and other expenses		**(25,602)**	(28,449)
Finance costs	7(a)	**(27)**	(60)
Written-off of inventories		**(1,505)**	(5,374)
Impairment loss on goodwill		**(12,914)**	–
Impairment loss on other receivables		**(2,174)**	(187)
Impairment loss on intangible assets		**(2,377)**	–
Loss before income tax		**(40,057)**	(17,958)
Income tax credit	10	**444**	3,678
Loss for the year from continuing operations		**(39,613)**	(14,280)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	9	**148,093**	(215,475)
Profit/(loss) for the year	7(b)	**108,480**	(229,755)
Attributable to:			
Owners of the Company			
— Loss from continuing operations		**(39,141)**	(14,280)
— Profit/(loss) from discontinued operation		**148,093**	(215,475)
Profit/(loss) attributable to owners of the Company		**108,952**	(229,755)
Non-controlling interests			
— Loss from continuing operations		**(472)**	–
Loss attributable to non-controlling interests		**(472)**	–
		108,480	(229,755)
Earnings/(loss) per share			
Basic and diluted (RMB cents)	12		
— From continuing and discontinued operations		**3.5**	(7.7)
— From continuing operations		**(1.3)**	(0.5)
— From discontinued operation		**4.8**	(7.2)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
Profit/(loss) for the year	**108,480**	(229,755)
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(473)**	267
Total comprehensive income/(loss) for the year	**108,007**	(229,488)
Attributable to:		
— Owners of the Company	**108,479**	(229,488)
— Non-controlling interests	**(472)**	–
	108,007	(229,488)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,750**	30,489
Right-of-use assets		**4,660**	–
Land use rights		**–**	3,827
Goodwill		**–**	–
Investment in associates		**–**	–
Prepayments, deposits and other receivables		**23,705**	59,100
Intangible assets		**38,824**	28,507
Deferred tax assets		**1,555**	–
Finance lease receivables		**98,095**	9,027
		177,589	130,950
CURRENT ASSETS			
Inventories		**4,329**	10,914
Trade and other receivables	*13*	**66,589**	108,127
Tax recoverable		**17**	302
Finance lease receivables		**–**	91,305
Financial assets at fair value through profit or loss		**651**	6,387
Cash and cash equivalents		**4,195**	17,745
		75,781	234,780
CURRENT LIABILITIES			
Trade and other payables	*14*	**62,249**	48,437
Secured bank loans		**–**	233,792
Tax payables		**984**	1,221
		63,233	283,450
NET CURRENT ASSETS/(LIABILITIES)		**12,548**	(48,670)
TOTAL ASSETS LESS CURRENT LIABILITIES		**190,137**	82,280

	Notes	**2019** **RMB'000**	2018 RMB'000
NON-CURRENT LIABILITIES			
Deposits received		**–**	5,722
Deferred tax liabilities		**2,571**	5,031
		2,571	10,753
NET ASSETS		**187,566**	71,527
CAPITAL AND RESERVES			
Share capital	*15*	**28,601**	28,601
Reserves		**151,405**	42,926
Equity attributable to owners of the Company		**180,006**	71,527
Non-controlling interests		**7,560**	–
TOTAL EQUITY		**187,566**	71,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Sanai Health Industry Group Company Limited (the "Company") was incorporated in the Cayman Islands on 21 March 2006 and registered as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Companies Law") and acts as an investment holding company. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 February 2007. The address of the registered office of the Company is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands. The principal place of business of the Company had been changed from Unit 1309, 13/F., West Tower, Shun Tak Centre, Sheung Wan, Hong Kong to Unit 5, 7/F., Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong during the year ended 31 December 2019.

The Company is an investment holding company. The Company and its subsidiaries collectively referred to as the Group.

Reference to the announcement dated 24 January 2020, the trading of ordinary shares of the Company on the Stock Exchange has been suspended with effect from 24 January 2020. In view of the Listing (Review) Committee Decision, the Company is required to re-comply with Rule 13.24 of the Listing Rules and resume trading within a period of 18 months from the date of suspension. Should the Company fail to do so by the expiry of the 18-month period, the Stock Exchange will proceed with cancellation of the Company's listing.

Reference to the announcement dated 8 January 2021, the Company received a letter from the Stock Exchange on 6 January 2021 in relation to resumption guidance for the Company including (i) demonstrate its compliance with Rule 13.24 of the Listing Rules; (ii) publish all outstanding financial results and address any audit modifications; and (iii) re-comply with Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules. The Stock Exchange may modify the Resumption Guidance that have been given and/or give further guidance if the Company's situation changes. Under Rule 6.01A of the Listing Rules, the Stock Exchange may cancel the Company's listing if trading in the Company's shares has been suspended for 18 continuous months, expiring on 23 July 2021.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standard ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "Leases"

The Group was initially applied HKFRS 16 "Leases" with effect from 1 January 2019 and has taken transitional provisions and methods not to restate comparative information for prior period. The adoption has resulted in reclassification of right-of-use assets from land use right.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise the judgements in the process of applying the accounting policies.

4. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the board of the Company (the "Board") (the chief operating decision maker) for the purposes of resources allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Pharmaceutical products: development, manufacturing, marketing and sales of pharmaceutical products, sales of pharmaceutical related software and provision of consultancy services;

(ii) Finance leasing: provision of finance leasing services;

(iii) Other general trading: trading of goods other than pharmaceutical products; and

(iv) Genetic testing and molecular diagnostic services: provision of genetic testing and molecular diagnostic services.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of financial assets at fair value through profit or loss, interests in an associate, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "adjusted earnings/(loss) before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income from bank deposits and interest exposure on bank borrowings and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted earnings/(loss), the Group's earnings/(loss) are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted profit/(loss), the Board is provided with segment information concerning revenue, interest income, depreciation, amortisation, impairment losses, finance costs and additions to non-current segment assets used by segments in their operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Information regarding the Group's reportable segments as provided to the Board for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

For the year ended 31 December 2019

	Discontinued operation	Continuing operations				
	Pharmaceutical products *RMB'000*	Pharmaceutical products *RMB'000*	Finance leasing *RMB'000*	Other general trading *RMB'000*	Genetic testing and molecular diagnostic services *RMB'000*	Total *RMB'000*
Reportable segment revenue from external customers	**28**	**41,565**	**6,656**	**31,231**	**2,402**	**81,882**
Reportable segment (loss)/profit (adjusted EBITDA)	**(1,192)**	**1,247**	**1,447**	**(10,162)**	**(831)**	**(9,491)**
Interest income from bank deposits	–	1	–	3	–	4
Interest expense	(4,162)	–	–	–	–	(4,162)
Depreciation and amortisation	–	(2,450)	(3)	(13)	(448)	(2,914)
Written-off of inventories	–	(240)	–	(1,265)	–	(1,505)
Impairment loss on:						
— Other receivables	(320)	–	(1,034)	(1,140)	–	(2,494)
— Trade receivables	(1,664)	–	–	–	–	(1,664)
— Intangible assets	–	–	–	–	(2,377)	(2,377)
— Goodwill	–	–	–	–	(12,914)	(12,914)
Reportable segment assets	–	36,647	106,749	52,240	1,287	196,923
Additions to non-current segment assets during the year	–	27,561	–	106	16,229	43,896
Reportable segment liabilities	–	(18,019)	(12,583)	(3,799)	(199)	(34,600)

For the year ended 31 December 2018

	Discontinued operation	Continuing operations		
	Pharmaceutical products	Finance leasing	Other general trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue from external customers	6,099	5,299	52,725	64,123
Reportable segment (loss)/ profit (adjusted EBITDA)	(24,287)	3,701	(5,423)	(26,009)
Interest income from bank deposits	107	–	3	110
Interest expense	(15,915)	–	–	(15,915)
Depreciation and amortisation	(17,013)	–	–	(17,013)
Written off of inventories	(4,503)	–	(5,374)	(9,877)
Impairment loss on:				
— Plant and equipment	(146,001)	–	–	(146,001)
— Land use rights	(1,197)	–	–	(1,197)
— Other receivables	(189,649)	–	–	(189,649)
— Trade receivables	(972)	–	–	(972)
Reportable segment assets	106,286	101,307	49,052	256,645
Additions to non-current segment assets during the year	12,340	–	–	12,340
Reportable segment liabilities	(265,373)	(6,785)	(1,142)	(273,300)

Note: Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Reportable segment revenue from external customers	**81,882**	64,123
Elimination of discontinued operation	**(28)**	(6,099)
Consolidated revenue from continuing operations	**81,854**	58,024
Profit or loss		
Reportable segment loss derived from Group's external customers	**(9,491)**	(26,009)
Other income	**45,259**	32,804
Depreciation and amortisation	**(2,914)**	(17,021)
Finance costs	**(4,189)**	(15,975)
Impairment losses on non-current assets	**(15,291)**	(147,198)
Impairment losses on trade receivables	**(1,664)**	(972)
Impairment losses on other receivables	**(2,494)**	(189,649)
Unallocated head office and corporate other revenue and net income	**113,847**	205,516
Unallocated head office and corporate expenses		
— Staff cost (including director's emoluments)	**(3,928)**	(1,773)
— Others	**(11,099)**	(23,415)
Elimination of discontinued operation	**(148,093)**	165,734
Consolidated loss before income tax for the year from continuing operations	**(40,057)**	(17,958)

	2019	2018
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**196,923**	256,645
Financial assets at fair value through profit or loss	**651**	6,387
Unallocated head office and corporate assets		
— Intangible assets	**28,507**	28,507
— Deposit for acquisition of non-current assets	**–**	46,760
— Others	**27,289**	27,431
	55,796	102,698
Consolidated total assets	**253,370**	365,730
Liabilities		
Reportable segment liabilities	**(34,600)**	(273,300)
Deferred tax liabilities	**(2,571)**	(5,031)
Unallocated head office and corporate liabilities	**(28,633)**	(15,872)
Consolidated total liabilities	**(65,804)**	(294,203)

(c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	2019	2018
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**41,593**	6,099
Genetic testing and molecular diagnostic services	**2,402**	–
Sales of other goods for general trading	**31,231**	34,858
Sales of fitness equipment	**–**	3,565
Sales of electric appliances	**–**	13,727
Sales of other software	**–**	575
Finance leasing income	**6,656**	5,299
Elimination of discontinued operation *(note 9)*	**(28)**	(6,099)
Revenue from continuing operations	**81,854**	58,024

(d) Geographic Information

(i) Revenue from external customers

The following sets out information about the geographical location of the Group's revenue from external customers, based on the location at which the services were provided or the goods delivered.

	2019	2018
	RMB'000	*RMB'000*
Hong Kong	**3,003**	16,399
The PRC	**73,308**	47,724
Europe	**3,337**	–
Others	**2,234**	–
Elimination of discontinued operation *(note 9)*	**(28)**	(6,099)
Revenue from continuing operations	**81,854**	58,024

(ii) Non-current assets

No non-current assets information is presented for the Group's geographical location, as over 90% of the Group's non-current assets (excluding deferred tax assets) are located in the PRC.

(e) **Information about major customers**

	2019	2018
	RMB'000	*RMB'000*
Sales of pharmaceutical products		
— Customer A*	**21,739**	–
— Customer B*	**9,044**	–
	30,783	–
Sales of other goods for general trading		
— Customer C	**20,619**	16,400
	20,619	16,400
	51,402	16,400

* Customer A and Customer B did not contribute over 10% of the Group's revenue for the year ended 31 December 2018, the figure shown was for comparative purpose only.

5. REVENUE

The principal activities of the Group are the development, manufacturing, marketing and sales of pharmaceutical products, other general trading, provision of finance leasing services and provision of genetic testing and molecular diagnostic services.

The amount of each significant category of revenue recognised during the year are as follows:

Disaggregation of revenue

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers		
Sales of goods		
— Pharmaceutical products	**41,593**	6,099
— Other goods for general trading	**31,231**	34,858
— Fitness equipment	**–**	3,565
— Electric appliances	**–**	13,727
— Other software	**–**	575
Provision of genetic services and molecular diagnostic services	**2,402**	–
	75,226	58,824
Revenue from other sources		
Finance leasing interest income	**6,656**	5,299
	81,882	64,123
Representing:		
Continuing operations	**81,854**	58,024
Discontinued operation *(note (9))*	**28**	6,099
	81,882	64,123

The revenue from contracts with customers of the Group during the year ended 31 December 2019 are recognised at a point in time (2018: at a point in time).

6. OTHER INCOME AND OTHER GAIN, NET

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Bank interest income	**4**	110
Loan interest income	**–**	765
Bond interest income	**576**	286
Total interest income	**580**	1,161
Gain on disposal of property, plant and equipment and right-of-use assets/land use right upon mandatory auctions	**43,277**	32,458
Gain on bargain purchase *(note 8)*	**754**	–
Exchange gain, net	**1,073**	6,503
Sundry income	**271**	1,714
Dividend income	**–**	9
Commission income	**–**	1,568
	45,955	43,413
Representing:		
Continuing operations	**2,678**	9,383
Discontinued operation *(note 9)*	**43,277**	34,030
	45,955	43,413

7. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year is arrived at after charging:

		2019	2018
		RMB'000	*RMB'000*
			(Restated)
(a)	**Finance costs**		
	Interest on bank borrowings	**4,162**	15,915
	Other interest expense	**27**	60
	Total interest expenses	**4,189**	15,975
	Representing:		
	— Continuing operations	**27**	60
	— Discontinued operation *(note 9)*	**4,162**	15,915
		4,189	15,975
(b)	**Other items**		
	Continuing operations		
	Depreciation of property, plant and equipment#	**1,009**	8
	Amortisation of intangible assets	**1,809**	–
	Depreciation of right-of-use assets	**96**	–
	Directors' emoluments	**1,884**	3,104
	Other staff costs		
	— Contributions to defined contribution retirement plans	**117**	1,000
	— Share-based payments	**–**	8,232
	— Salaries, wages and other benefits	**5,397**	4,611
	Total staff costs#	**7,398**	16,947
	Auditor's remuneration	**3,627**	1,652
	Loss on financial assets at fair value through profit or loss	**422**	3,467
	Operating lease payments in respect of rented premises	**–**	1,399
	Expenses relating to short-term leases	**1,606**	–
	Cost of inventories#	**78,831**	51,243
	Discontinued operation *(note 9)*		
	Depreciation of property, plant and equipment#	**–**	14,757
	Amortisation of land use rights	**–**	2,256
	Other staff costs		
	— Salaries, wages and other benefits	**1,076**	5,853
	Total staff costs#	**1,076**	5,853
	Cost of inventories#	**279**	13,232

Cost of inventories includes approximately RMB4,144,000 (2018: RMB9,523,000) relating to staff costs, depreciation and amortisation which amount is also included in the respective total amounts disclosed separately above.

8. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Fujian Yongchun Pharmaceutical Company Limited ("Fujian Yongchun")

On 25 October 2018, the Group entered into a sales and purchase agreement with an independent third party to acquire 51% equity interest in Fujian Yongchun at a consideration of RMB7,650,000 which shall be settled by cash. The principal activities of Fujian Yongchun are production, development and sales of pharmaceutical products in the PRC. The management considers that such acquisition will enable the Group to increase new manufacturing bases of pharmaceutical products and enrich product categories as well as expand sales network. The acquisition was completed on 28 March 2019.

The consideration amounted to RMB7,650,000 has not yet settled as at 31 December 2019.

(b) Acquisition of Fujian Zhixin Medicine Co., Limited ("Fujian Zhixin")

On 29 March 2019, the Group entered into a sales and purchase agreement with an independent third party to acquire the entire equity interest in Fujian Zhixin at a consideration of RMB2,000,000 which shall be settled by cash. The principal activities of Fujian Zhixin are sales of pharmaceutical products in the PRC. The management considers that such acquisition will enable the Group to enrich product categories as well as expand sales network. The acquisition was completed on 1 April 2019.

(c) Acquisition of Zentrogene Bioscience Laboratory Limited ("Zentrogene")

On 29 March 2019, the Group entered into a sales and purchase agreement with an independent third party to acquire the entire equity interest in Zentrogene at a consideration of HK$19,500,000 (approximately RMB16,673,000) which shall be settled by cash. The principal activities of Zentrogene are provision of genetic testing and molecular diagnostic services in Hong Kong. The management considers that such acquisition will enable the Group to develop its precision medicine. The acquisition was completed on 1 April 2019.

Portion of the consideration amounted to approximately RMB2,763,000 had been settled by cash during the year ended 31 December 2019. The Group had settled the remaining portion of the consideration amounted to approximately RMB13,910,000 through a non-cash transaction.

The following summarises the total consideration and the fair value of assets acquired and liabilities assumed and goodwill arising from the acquisition of Fujian Yongchun, Fujian Zhixin and Zentrogene at their acquisition dates:

	(a) Fujian Yongchun As at 28 March 2019 *RMB'000*	**(b) Fujian Zhixin As at 1 April 2019** *RMB'000*	**(c) Zentrogene As at 1 April 2019** *RMB'000*	**Total** *RMB'000*
Net assets acquired:				
Property, plant and equipment	9,280	105	550	9,935
Right-of-use assets	4,756	–	–	4,756
Intangible assets	11,753	16	2,717	14,486
Deferred tax assets	1,555	–	–	1,555
Inventories	679	176	–	855
Trade and other receivables	33	4,860	954	5,847
Tax recoverable	–	–	106	106
Cash and cash equivalents	487	35	388	910
Trade and other payables	(9,212)	(3,149)	(508)	(12,869)
Deferred tax liabilities	(2,938)	–	(448)	(3,386)
Total identifiable net assets at fair value	16,393	2,043	3,759	22,195
Non-controlling interest	(8,032)	–	–	(8,032)
Goodwill	–	–	12,914	12,914
Gain on bargain purchase on acquisition* *(note 6)*	(711)	(43)	–	(754)
Total consideration	7,650	2,000	16,673	26,323

9. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2019

(a) Disposal of Wuyi International Pharmaceutical (Hong Kong) Company Limited ("Wuyi HK") and Fujian Sanai Pharmaceutical Company Limited ("Fujian Sanai")

On 30 April 2019, the Group disposed of the entire equity interest of Wuyi HK and Fujian Sanai with consideration of approximately RMB9,000 where Wuyi HK engaged in investment holding and Fujian Sanai engaged in investment holding, develop, manufacture, marketing and sales of pharmaceutical products. Wuyi HK did not carried out any business during the period. The disposal was completed on 30 April 2019 ("2019 Disposal Date") and the Group discontinued its development, manufacturing, marketing and sales of pharmaceutical products business under Fujian Sanai.

(b) Disposal of Hong Kong Liumai Medical Group Company Limited ("HK Liumai") and Fujian Liumai Medical Services Co., Limited ("Fujian Liumai")

On 1 December 2019, the Group disposed of the entire equity interest of HK Liumai and Fujian Liumai with consideration of HK$1. The disposal was completed on 1 December 2019. HK Liumai and Fujian Liumai did not carry out business before the disposal date.

For the year ended 31 December 2018

On 31 October 2018 ("2018 Disposal Date"), the Group disposed of Hong Kong Sanai Health Care Products Company Limited ("HK Sanai HCP") and Fuzhou Sanai Pharmaceutical Company Limited ("Fuzhou Sanai") where HK Sanai HCP engaged in investment holding and Fuzhou Sanai engaged in investment holding, develop, manufacture, marketing and sales of pharmaceutical products.

(a) Analysis of the profit/(loss) from the discontinued operation

	2019	2018
	RMB'000	*RMB'000*
Profit/(loss) for the year from discontinued operation	**35,939**	(412,088)
Gain on disposal of subsidiaries (note 9(b))	**112,154**	196,613
	148,093	(215,475)

The results of the discontinued operation from Wuyi HK and Fujian Sanai for the year ended 31 December 2018 and for the period from 1 January 2019 to 2019 Disposal Date, and the results of the discontinued operation from HK Sanai HCP and Fuzhou Sanai for the period from 1 January 2018 to 2018 Disposal Date, which have been included in consolidated profit or loss, are as follows:

	2019	2018		
	Period from 1 January 2019 to 2019 Disposal Date	Year ended 31 December 2018	Period from 1 January 2018 to 2018 Disposal Date	
	Fujian Sanai	Fujian Sanai	Fuzhou Sanai	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**28**	6,099	–	6,099
Cost of sales and services rendered	**(279)**	(13,232)	–	(13,232)
Gross loss	**(251)**	(7,133)	–	(7,133)
Other income and other gain, net	**43,277**	33,344	686	34,030
Distribution costs	**(7)**	(745)	(2)	(747)
Administrative and other expenses	**(934)**	(22,995)	(7,452)	(30,447)
Finance costs	**(4,162)**	(13,539)	(2,376)	(15,915)
Written off of inventories	**–**	(1,755)	(2,748)	(4,503)
Written off of property, plant and equipment	**–**	(42,476)	(103,525)	(146,001)
Impairment loss on amount due from fellow subsidiaries	**–**	–	(189,462)	(189,462)
Impairment loss on trade receivables	**(1,664)**	(527)	(445)	(972)
Impairment loss on other receivables	**(320)**	–	–	–
Impairment loss on land use rights	**–**	(1,197)	–	(1,197)
Profit/(loss) before income tax	**35,939**	(57,023)	(305,324)	(362,347)
Income tax expenses	**–**	(45,879)	(3,862)	(49,741)
Profit/(loss) for the year from discontinued operation	**35,939**	(102,902)	(309,186)	(412,088)

Profit/(loss) before income tax from discontinued operation for the year ended 31 December 2019 and 2018 stated in consolidated statement of cash flow included gain on disposal of subsidiaries.

(b) Disposal of subsidiaries

	2019			2018
	As at 1 December 2019 HK Liumai & Fujian Liumai	**At 2019 Disposal Date Wuyi HK & Fujian Sanai**	**Total**	At 2018 Disposal Date Fuzhou Sanai
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Net liabilities disposed of				
Property, plant and equipments	**–**	**8**	**8**	–
Inventories	**–**	**2,032**	**2,032**	–
Trade and other receivables	**–**	**84,488**	**84,488**	80
Tax recoverable	**–**	**302**	**302**	–
Amount due from group companies	**–**	**2,239**	**2,239**	–
Cash and cash equivalents	**–**	**30**	**30**	25,142
Amount due to group companies	**–**	**–**	**–**	(189,649)
Trade and other payables	**(163)**	**(30,061)**	**(30,224)**	(4,879)
Tax payables	**–**	**–**	**–**	(988)
Secured bank loans	**–**	**(165,989)**	**(165,989)**	(45,306)
Deferred tax liabilities	**–**	**(5,031)**	**(5,031)**	–
	(163)	**(111,982)**	**(112,145)**	(215,600)
Release of reserve upon disposal	**–**	**–**	**–**	19,105
Gain on disposal of subsidiaries	**163**	**111,991**	**112,154**	196,613
Total consideration	**–**	**9**	**9**	118

10. INCOME TAX (CREDIT)/EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Hong Kong Profits Tax	**–**	268
PRC Enterprise Income Tax ("EIT")	**371**	918
	371	1,186
Deferred taxation	**(815)**	44,877
	(444)	46,063
Representing:		
— Continuing operations	**(444)**	(3,678)
— Discontinued operation *(note 9)*	**–**	49,741
	(444)	46,063

For PRC subsidiaries of the Group, PRC EIT is calculated at 25% (2018: 25%) in accordance with the relevant laws and regulations in the PRC.

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the years ended 31 December 2019 and 2018. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2019.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

11. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2019 and 2018.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basis earnings/(loss) per share attributable to the owners of the Company are based on the following data:

	2019	2018
	RMB'000	*RMB'000*
Profit/(loss) for the year attributable to the owners of the Company for the purpose of basis earnings/(loss) per share		
— From continuing operations	**(39,141)**	(14,280)
— From discontinued operation	**148,093**	(215,475)
	108,952	(229,755)
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basis earnings/(loss) per share	**3,067,223**	2,980,306

For the year ended 31 December 2019 and 2018, the dilutive earnings/(loss) per share was the same as the basic earnings/(loss) per share as the impact of share options had an anti-dilutive effect.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**13,351**	23,874
Less: Provision for loss allowance *(note b)*	**(68)**	(972)
	13,283	22,902
Other receivables	**17,270**	49,322
Investment in bond issued by a private company	**11,622**	11,390
Amount due from a related company	**2**	2
Prepayments and deposits	**46,868**	82,565
Other PRC tax receivables	**1,249**	1,046
	90,294	167,227
Represented by:		
Current	**66,589**	108,127
Non-current	**23,705**	59,100
	90,294	167,227

Notes:

(a) The Group normally grants credit terms of 30 to 180 days (2018: 30 to 180 days) to its customers.

As of the end of the reporting period, the ageing analysis of trade receivables at the end of the reporting period, presented based on the invoice date and net of allowance for doubtful debts is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**5,333**	305
31 to 60 days	**1,553**	4,835
61 to 90 days	**316**	256
91 to 120 days	**802**	721
121 to 365 days	**3,527**	15,377
Over 365 days	**1,752**	1,408
	13,283	22,902

(b) Reconciliation of loss allowance for trade receivables:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**972**	–
Increase in loss allowance for the year	**1,664**	972
Decrease due to disposal of subsidiaries	**(2,568)**	–
At 31 December	**68**	972

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and invoice date aging. The expected credit losses also incorporate forward looking information.

	Within 30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**121 to 365 days**	**Over 365 days**	**Total**
At 31 December 2019							
Weighted average expected loss rate	**–**	**–**	**–**	**–**	**–**	**4%**	**1%**
Receivable amount *(RMB'000)*	**5,333**	**1,553**	**316**	**802**	**3,527**	**1,820**	**13,351**
Loss allowance *(RMB'000)*	**–**	**–**	**–**	**–**		**68**	**68**
At 31 December 2018							
Weighted average expected loss rate	–	–	–	–	–	41%	4%
Receivable amount *(RMB'000)*	305	4,835	256	721	15,377	2,380	23,874
Loss allowance *(RMB'000)*	–	–	–	–		972	972

14. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**6,303**	1,159
Payroll and welfare payables	**1,553**	744
Accrued expenses	**8,836**	20,499
Other payables	**36,424**	24,949
Other PRC tax payables	**229**	189
Contract liabilities	**3,104**	897
Deposits received	**5,800**	5,722
	62,249	54,159
Represented by:		
Non-current	**–**	5,722
Current	**62,249**	48,437
	62,249	54,159

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**3,941**	55
31 to 60 days	**239**	–
61 to 90 days	**54**	–
91 to 120 days	**33**	–
121 to 365 days	**1,992**	146
Over 365 days	**44**	958
	6,303	1,159

15. SHARE CAPITAL

	Number of ordinary shares	**Amount**
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2018	2,872,123	28,721
Share issued upon exercise of share options *(note a)*	195,100	1,951
At 31 December 2018, 1 January 2019 and 31 December 2019	3,067,223	30,672

	2019	2018
	RMB'000	*RMB'000*
Shown in the consolidated and Company's statement of financial position at 31 December	**28,601**	28,601

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary share rank equally with regard to the Company's residual assets.

Note:

(a) During the year ended 31 December 2018, share options under the share option scheme were exercised to subscribe for 195,100,000 ordinary shares of the Company at a consideration of approximately HK$63,958,000 (equivalent to approximately RMB52,204,000), of which approximately HK$1,951,000 (equivalent to approximately RMB1,592,000) was credited to the share capital and the balance of approximately HK$62,007,000 (equivalent to approximately RMB50,612,000) was credited to the share premium account. An amount of approximately HK$10,761,000 (equivalent to approximately RMB8,767,000) was transferred from share option reserve to the share premium account in accordance with the Group's accounting policies.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019.

"Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. *Limited accounting books and records of subsidiaries disposed*

   As disclosed in note 12 to the consolidated financial statements, the disposal of Hong Kong Sanai Health Care Products Company Limited and Fuzhou Sanai Pharmaceutical Company Limited ("**2018 Disposal Companies**") have been completed on 31 October 2018 ("**2018 Disposal Date**"). Also, the disposal of Wuyi International Pharmaceutical (Hong Kong) Company Limited and Fujian Sanai Biotechnology Limited ("**2019 Disposal Companies**") have been completed on 30 April 2019 ("**2019 Disposal Date**"). Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of 2018 Disposal Companies for the year ended 31 December 2018; and in respect of 2019 Disposal Companies for the year ended 31 December 2019 and 2018, we were unable to carry out audit procedures to satisfy ourselves as to whether (i) the income and expenses for the year ended 31 December 2019 included in the profit for the year from discontinued operation amounted to approximately RMB148,093,000; (ii) the income and expenses for the year ended 31 December 2018 included in the loss for the year from discontinued operation amounted to approximately RMB215,475,000; (iii) the assets and liabilities as at 2018 Disposal Date and 2019 Disposal Date and the following assets and liabilities as at 31 December 2018; and (iv) the accuracy of the disclosures in relation to 2018 Disposal Companies and 2019 Disposal Companies as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

	At 31 December 2018 *RMB'000*
Assets and liabilities	
Property, plant and equipment	30,481
Land use right	3,827
Deposits for the acquisition of non-current assets	46,760
Inventories	2,057
Trade and other receivables	38,308
Tax recoverable	302
Cash and cash equivalents	749
Trade and other payables	(31,582)
Secured bank loans	(233,792)
Deferred tax liabilities	(5,031)
Net liabilities	(147,921)

2. *Provision for litigation*

Due to the uncertainties in relation to the litigation as disclosed in note 42 to the consolidated financial statements, we have been unable to obtain supportable evidence for us to assess whether provision of litigation of RMBnil as at 31 December 2019 and 2018 are fairly stated and the profit or loss effect on the provision of litigation for the year ended 31 December 2019 and 2018 are properly stated.

Any adjustments to the figures as described from points 1 to 2 above might have a significant consequential effect on the Group's consolidated financial performance and its consolidated cash flows for the year ended 31 December 2019 and 2018 and the consolidated financial position of the Group as at 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2019 (the "**Reporting Period**"), the Group was principally engaged in four businesses: (i) pharmaceutical products business; (ii) finance leasing business; (iii) other general trading business; and (iv) genetic testing and molecular diagnostic services. The major business are stated as below:

Pharmaceutical Products Business

Although the Company has disposed of the equity interest in Fuzhou Pharmaceutical Company* (福州藥業有限公司) and Fujian Sanai Pharmaceutical Co., Ltd.* (福建三愛藥業有限公司) which were engaged in pharmaceutical production, pharmaceutical products business is still one of the core businesses of the Company. The Company continues to develop its pharmaceutical products business through the acquisition of the 51% equity interest in Fujian Yongchun Pharmaceutical Company Limited* (福建永春製藥有限公司) ("**Fujian Yongchun**") and the entire equity interest in Fujian Zhixin Medicine Co., Limited* (福建至信醫藥有限公司) ("**Fujian Zhixin**") in March and April 2019 respectively.

Fujian Yongchun is located in Yongchun County, Quanzhou City, Fujian Province. It occupies a site area of 32,330 square metres with a gross floor area for the plants of approximately 8,311.58 square metres, in which the GMP workshop has an area of 3,581 square metres. Fujian Yongchun owns 5 drug registration series (藥品批准文號) in the PRC and produces 5 types of oral medicine, including Yangpi San (養脾散), Sanqi panax notoginseng capsules (三七膠囊) and phentolamine mesylate tablets (甲磺酸酚妥拉明片). It has become the new base for pharmaceutical production of the Group.

The Group aims to increase its market share by promoting the core products and other products of Fujian Yongchun. To achieve its goal, the Group plans to redirect its current market position. In particular, the Group plans to enhance its sales and promotional strategies in different channels so as to strengthen its market penetration. The Group will also continue its sales team to explore the traditional medicine market through sales via drugstore chains. The Group will also fully leverage its existing sales team to increase its sales through distributors.

Fujian Zhixin possesses the Medical Operations Permit (Wholesale), Medical Operation Quality Management System Certifications (GSP) and Food Operations Permit. The Group acts as a sales agent nationwide for the herbal medical materials, Chinese herbal medicine, Chinese patent medicine, chemical drug preparations, antibiotic preparations, biochemical pharmaceuticals, biological products, healthcare products and food products. The pharmaceutical sales of the Group is expected to be boosted by the acquisition of Fujian Zhixin. Not only the Group can sell its pharmaceuticals products through the sales network of Fujian Zhixin, but can also act as a sales agent to sell pharmaceuticals and healthcare products for other pharmaceutical companies.

During the Reporting Period, the revenue derived from pharmaceutical products business increased significantly by approximately 582.0% to approximately RMB41.59 million (2018: approximately RMB6.10 million from discontinued operation).

Finance Leasing Business

Union Development Finance Lease (Shenzhen) Company Limited* (聯合發展融資租賃 (深圳)有限公司), an indirect wholly-owned subsidiary of the Company, has been engaging in finance leasing business since 2017. The revenue derived from finance leasing business for the Reporting Period was approximately RMB6.66 million (2018: RMB5.30 million).

Leveraging on the business platform, the Company will also develop leasing services of medical devices and rehabilitation equipment which is complimentary to the Group's existing pharmaceutical products business.

Other General Trading Business

The Group operates other general trading business, which includes the trading of health food products, fitness equipment and electric appliances. During the Reporting Period, other general trading business recorded a revenue of approximately RMB31.23 million (2018: approximately RMB52.73 million), representing a drop of approximately 40.7%.

Genetic Testing and Molecular Diagnostic Services

The Group has acquired the equity interests in Zentrogene Bioscience Laboratory Limited ("**Zentrogene**") on 1 April 2019. Zentrogene primarily engages in the provision of genetic testing and molecular diagnostic services. Zentrogene operates a laboratory with the relevant license in Hong Kong, providing services comprising non-invasive prenatal diagnosis (NIPD), tumor genetic screening, DNA testing and paternity testing. Genetic testing is a prerequisite for precision medicine. During the Reporting Period, the revenue generated from genetic testing and molecular diagnostic services for the nine months since acquisition till end of the Reporting Period amounted to approximately RMB2.40 million (2018: Nil).

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group has a total revenue of approximately RMB81.85 million from its continuing operation, representing an increase of approximately 41.1% as compared to approximately RMB58.02 million in 2018, and the gross profit margin from the continuing operation was approximately 2.58% (2018: gross profit margin approximately 11.69%). The Group recorded a profit attributable to owners of the Company of approximately RMB108.95 million (2018: loss of approximately RMB229.76 million). Profit for the year was mainly attributable to the one-off gain on disposal of subsidiaries which amounted to approximately RMB112.15 million. The basic and diluted earnings per share was approximately RMB3.5 cents (2018: basic and diluted loss per share was approximately RMB7.7 cents).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB4.20 million (2018: approximately RMB17.75 million) and most cash and cash equivalents were denominated in Renminbi and Hong Kong dollars. The decrease in cash and cash equivalents during the Reporting Period was mainly due to the normal operating loss incurred and the settlement of the consideration for the acquisitions by the Group.

As at 31 December 2019, the Group has no secured bank loan which was secured by the land use rights and property, plant and equipment of the Group (2018: RMB233.79 million). During the Reporting Period, the Group did not use any financial instruments for hedging purpose.

As disclosed in the Company's announcements dated 8 January 2019 and dated 22 March 2019, certain pledged properties have been sold at the total price of RMB78 million during an auction conducted by the People's Court of Jianyang District, Nanping City (南平市建陽區人民法院) on 15 March 2019, the proceeds of which, net of reasonable auction expenses to be charged by the People's Court of Jianyang District Nanping City, have been wholly used to settle part of the outstanding amount under the then secured bank loans of RMB233.79 million as mentioned above.

The Group had reviewed the capital structure by using gearing ratio. The gearing ratio represents the total debt, which includes trade and other payables and secured bank loans of the Group, divided by total equity of the Group. The gearing ratio of the Group was approximately 33.19% as at 31 December 2019 (2018: approximately 394.58%).

Exposure to Fluctuation in Exchange Rates

For the year ended 31 December 2019, the Group conducted most of its business transactions in Renminbi. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. As at 31 December 2019, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group was not exposed to any material interest and exchange risks during the Reporting Period. The management, however, will monitor and consider hedging foreign currency exposure should the need arise.

THE STOCK EXCHANGE'S NOTICE TO SUSPEND TRADING IN THE COMPANY'S SHARES

The Company received a letter dated 24 May 2019 from the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which served a notice that the Stock Exchange considered that the Company has 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 could be demonstrated under Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to warrant the continued listing of the shares of the Company (the "**Shares**"). The Stock Exchange has therefore decided 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 6.01A(1) of the Listing Rules (the "**Decision**").

The Company was required to re-comply with Rule 13.24 of the Listing Rules and would have a remedial period of 18 months to re-comply with the Listing Rules. If the Company failed to do so by the expiry of the 18-month period (i.e. 23 November 2020), the Stock Exchange would proceed with cancellation of the Company's listing.

After seeking professional advice, on 4 June 2019, the Company had submitted a written request to the listing committee (the "**Listing Committee**") of the Stock Exchange for the Decision to be referred to the Listing Committee for review pursuant to Rule 2B.06(1) of the Listing Rules.

The Board emphasized that the Group was undergoing a period of transformation. The Group has terminated its business with continued losses and disposed of its assets with substantial net liabilities for the interests of the company and shareholders as a whole. The Board will use its best efforts to improve the Group's overall performance in the future.

On 6 September 2019, the Company has received a letter from the Listing Committee setting out its decision on the review application (the "**Decision Letter**"). According to the Decision Letter, the Listing Committee decided to uphold the Decision to suspend trading in the Shares. The trading in the shares were suspended and the Company would be required to resume trading within a period of 18 months from the date of the suspension. If the Company failed to do so, the Stock Exchange would proceed with cancellation of the listing of the Company.

After seeking professional advice, the Company submitted a written request to the Listing (Review) Committee ("**Listing (Review) Committee**") of the Stock Exchange for the Decision to be referred to the Listing (Review) Committee for review (the "**2nd Review Request**") pursuant to Rule 2B.06 (2) of the Listing Rules.

On 23 January 2020, the Company had received a reply from the Listing (Review) Committee that they had decided to uphold the decision of the Listing Committee. The Company was required to re-comply with Rule 13.24 of the Listing Rules and resume trading within a period of 18-month period, if the Company failed to do so by the expiry of the 18-month period, the Stock Exchange would proceed with cancellation of the listing of the Company.

By way of letters to the Company dated 12 February 2020, 7 April 2020 and 18 January 2021, the Stock Exchange imposed the following resumption guidance for the Company:

(i) Demonstrate its compliance with Rule 13.24 of the Listing Rules;

(ii) Publish all outstanding financial results and address any audit modifications; and

(iii) Re-comply with Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules.

For further details, please refer to the announcements of the Company dated 26 May 2019, 28 May 2019, 4 June 2019, 9 September 2019, 16 September 2019, 24 January 2020, 12 February 2020, 7 April 2020, 23 April 2020, 24 July 2020, 23 October 2020, 18 January 2021, 22 April 2021 and 12 July 2021 respectively.

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

As at 31 December 2019 the Group did not have any significant capital commitment. (2018: approximately RMB37.95 million)

Save as disclosed in this announcement, the Group did not have any other significant contingent liabilities as at the date of this announcement.

As at 31 December 2019, there was no land use right and property, plant and equipment (2018: approximately RMB233.79 million) which had been pledged as security for the borrowings of the Group.

SIGNIFICANT ACQUISITIONS AND DISPOSAL OF INVESTMENTS

Save for the transactions disclosed below, there were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures during the Reporting Period.

Disposal of Wuyi International Pharmaceutical (Hong Kong) Company Limited ("Wuyi HK") and Fujian Sanai Pharmaceutical Company Limited ("Fujian Sanai")

On 30 April 2019, the Group disposed of the entire equity interest of Wuyi HK and Fujian Sanai with consideration of approximately RMB9,000 where Wuyi HK was engaged in investment holding and Fujian Sanai was engaged in investment holding, develop, manufacture, marketing and sales of pharmaceutical products. Wuyi HK did not carry out any business during the period. The disposal was completed on 30 April 2019 ("**2019 Disposal Date**") and the Group discontinued its development, manufacturing, marketing and sales of pharmaceutical products business under Fujian Sanai. The net proceeds from the Disposal has been used for general working capital of the Group.

For further details, please refer to the announcement of the Company dated 30 April 2019.

Acquisition of Zentrogene Bioscience Laboratory Limited ("Zentrogene")

On 29 March 2019, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in Zentrogene at a consideration of HK$19,500,000 (approximately RMB16,673,000) which shall be settled by cash. The principal activities of Zentrogene are provision of genetic testing and molecular diagnostic services in Hong Kong. The management considers that such acquisition will enable the Group to develop its precision medicine. The acquisition was completed on 1 April 2019.

For further details, please refer to the announcement of the Company dated 28 March 2019.

Acquisition of Fujian Zhixin Medicine Co., Limited ("Fujian Zhixin")*

On 29 March 2019, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in Fujian Zhixin at a consideration of RMB2,000,000 which shall be settled by cash. The principal activities of Fujian Zhixin are sales of pharmaceutical products in the PRC. The management considered that such acquisition would enable the Group to enrich its product categories as well as expand its sales network. The acquisition was completed on 1 April 2019. For further details, please refer to the announcement of the Company dated 28 March 2019.

Acquisition of Fujian Yongchun Pharmaceutical Company Limited ("Fujian Yongchun")*

On 25 October 2018, the Group entered into a sale and purchase agreement with an independent third party to acquire 51% equity interest in Fujian Yongchun at a consideration of RMB7,650,000 which shall be settled by cash. The principal activities of Fujian Yongchun are production, development and sales of pharmaceutical products in the PRC. The management considered that such acquisition would enable the Group to increase new manufacturing bases of pharmaceutical products and enrich product categories as well as expand sales network. The acquisition was completed on 28 March 2019.

Intended acquisition of Shenzhen Century Rongtai Guarantee Co. Ltd ("Shenzhen Rongtai")*

On 17 April 2019, Union Development Financial Leasing (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Shenzhen Keming Enterprises Co., Ltd.* (深圳市科銘實業有限公司) and an individual in respect of the proposed acquisition of the entire equity interest in Shenzhen Rongtai* (深圳市世紀融泰融資擔保有限公司) at a total consideration of RMB3.3 million. This intended acquisition has subsequently been terminated as certain major conditions precedent have not been satisfied.

For further details, please refer to the announcement of the Company dated 17 April 2019.

EQUITY FUND RAISING ACTIVITIES

Lapse of Placing of Shares

On 15 April 2019, the Company entered into a placing agreement with a placing agent to issue the placing shares to not less than six placees. The placing agreement has not been proceeded as the conditions precedent for obtaining the listing approval from the Stock Exchange is not fulfilled on or before 30 June 2019.

For further details, please refer to the announcements of the Company dated 15 April 2019 and 28 May 2019 respectively.

NUMBER AND REMUNERATION OF EMPLOYEES

For the year ended 31 December 2019, the Group employed approximately 69 employees (2018: 230 employees) with total staff cost of approximately RMB7.40 million (2018: approximately RMB16.95 million) from continuing operations. The Group determined staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on a regular basis.

CAPITAL EXPENDITURE

For the years ended 31 December 2019 and 31 December 2018, there was no significant capital expenditure of the Group for property, plant and equipment.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

SHARE OPTION SCHEME

On 24 May 2018 and 30 May 2018, 115,400,000 and 118,000,000 share options (the "**Share Options**") were granted to grantees respectively. On 7 June, 8 June, 14 June and 19 June 2018, an aggregate of 195,100,000 Share Options were exercised by grantees under the share option scheme of the Company adopted on 16 June 2017 (the "**Share Option Scheme**"). The following table discloses movements in the Share Options during the year:

Category of participant	Number of share options At 1 January 2019	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 31 December 2019	Date of grant	Exercise period	Exercise price *HK$*	Closing price of the shares immediately before the date of grant *HK$*
Employees in aggregate	36,300,000	–	(1,500,000)	–	34,800,000	24 May and 30 May 2018	24 May 2018 to 29 May 2023 *(Note)*	–	–
Non-employees in aggregate	2,000,000	–	–	–	2,000,000	30 May 2018	30 May 2018 to 29 May 2023 *(Note)*	–	–
	38,300,000	–	(1,500,000)	–	36,800,000				

Note: The Share Options are not subject to any vesting period.

EVENT AFTER THE REPORTING PERIOD

Save for the events disclosed below, there was no other major subsequent event occurred since the financial year ended 31 December 2019 up to 30 April 2020. Please refer to the Company's annual report 2020 for events subsequent to 30 April 2020.

Litigation

The Company has received a civil judgement (the "**Judgement**") dated 22 December 2020 issued by 北京市第四中級人民法院 (the No. 4 Intermediate People's Court of Beijing*) (the "**Court**") in relation to a litigation (the "**Litigation**") brought by 北京市文化科技融資租賃股份有限公司 (Beijing Cultural Technology Finance Lease Company Limited*, the "**Plaintiff**") against, among others, (a) the Company; (b) Fujian Sanai, the disposal of which was completed in April 2019; (c) Lin Ouwen, a former executive Director; and (d) Lin Min, a former executive Director.

The Plaintiff first filed a statement of claim (the "**Statement of Claim**") with the Court on 30 August 2018, whereby, among others, the Plaintiff alleged that (i) Fujian Sanai, a then subsidiary of the Company, had entered into a finance lease agreement (the "**Finance Lease Agreement**") with the Plaintiff on 21 March 2016, pursuant to which the Plaintiff agreed to lease certain assets to Fujian Sanai for a term of 36 months with a total leasing cost of RMB134,954,600 and an interest rate of 8.3%; (ii) each of the Company, Lin Ouwen, who was a then executive Director, and Lin Min, entered into a guarantee agreement with the Plaintiff respectively to provide joint guarantee (the "**Guarantee**") for the debts owed by Fujian Sanai under the Finance Lease Agreement; and (iii) Fujian Sanai had failed to pay the rent payable under the Finance Lease Agreement since 20 August 2017, and the Company, Lin Ouwen and Lin Min had failed fulfill their obligations as guarantors. The Statement of Claim was received by the Company in July 2019.

As such, the Plaintiff demanded, among others, that (i) Fujian Sanai immediately pay to the Plaintiff the unpaid due rent in the amount of RMB33,855,032.69 with the default interest accrued thereon, undue rent in the amount of RMB47,592,982.21, default payment in the amount of RMB4,759,298.22 (being 10% of the undue rent), the legal fees in the amount of RMB800,000, the retention purchase price of RMB100 and the cost incurred in relation to the Litigation; and (ii) the Company, Lin Ouwen and Lin Min be jointly liable for the debts owed by Fujian Sanai under the Finance Lease Agreement.

The Plaintiff also submitted to the Court a copy of the alleged minutes of the Board meeting (the "**Board Meeting**") held on 22 March 2016 during which resolutions (the "**Resolutions**") were passed to approve, inter alia, the provision of the Guarantee by the Company. However, only two of the then Directors, Lin Ouwen and Lin Qingping, were shown to have attended and voted on the Resolutions.

Pursuant to the Judgement, among other things, Fujian Sanai shall, within ten days of the Judgement, pay to the Plaintiff the unpaid due rent under the Finance Lease Agreement in the amount of RMB33,855,032.69 with the default interest accrued thereon, the accelerated due rent under the Finance Lease Agreement in the amount of RMB47,592,982.21, the default payment in the amount of RMB4,759,298.22, the retention purchase price of RMB100, the legal fees in the amount of RMB800,000, the announcement fees in the amount of RMB2,650, the preservation insurance fees in the amount of RMB175,636.06 and the preservation fees in the amount of RMB5,000 (collectively the "**Litigation Amount**"); and the Company, Lin Ouwen and Lin Min shall be jointly liable for the Litigation Amount, and they are entitled to claim against Fujian Sanai after discharging of such joint liabilities.

The Company has lodged an appeal (the "**Appeal**") against the Judgement to 北京市高級人民法院 (the Higher People's Court of Beijing*) on 22 January 2021.

Pursuant to the Appeal, the Company has pleaded to 北京市高級人民法院 (the Higher People's Court of Beijing*) to rule that the Finance Lease Agreement and the Guarantee were invalid, and to reject all of the Plaintiff's claims.

For further details, please refer to the announcements of the Company dated 18 January 2021 and 4 February 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes of information of the Directors since the date of the Company's 2019 Interim Report are set out below:

With effect from 26 July 2019, Ms. Hung Hoi Lan has resigned as an executive Director due to her personal reasons (family arrangement). Further details were disclosed in the Company's announcement dated 29 July 2019.

With effect from 26 July 2019, Mr. Gao Borui and Mr. Yuan Chaoyang have been appointed as executive Directors. Further details were disclosed in the Company's announcement dated 29 July 2019.

With effect from 1 November 2019, Mr. Cheng Hoi Kai Frederick has resigned as an executive Director due to his change in work arrangements and his other personal business development. Further details were disclosed in the Company's announcement dated 1 November 2019.

With effect from 11 November 2019, Mr. She Hao has been appointed as an executive Director. Further details were disclosed in the Company's announcement dated 11 November 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving a high standard of corporate governance practice, such that the interests of the Company's shareholders, customers, employees as well as the long term development of the Company can be safeguarded.

The Company has complied with the provisions as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2019 to ensure that the Company is up to the requirements as being diligent, accountable and professional, except for deviation from provision A.2.1 and A.2.7.

In respect of the code provision A.2.1 of the CG Code, the roles of chairman (the "**Chairman**") and chief executive officer ("**CEO**") of the Company shall be separated and shall not be performed by the same individual. The Board considered that vesting the roles of Chairman and the CEO in the same person facilitates the execution of the Company's business strategies and maximizes effectiveness of its operations. On the other hand, there are three independent non-executive Directors in the Board, all of them are independent from the Company and the Board believes that there is a sufficient check and balance in the Board. Therefore, the Board considers the Company has provided sufficient protection to its interests and the interests of its shareholders. The Board shall review the structure from time to time and shall consider the appropriate adjustment should suitable circumstances arise.

Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive Directors) without the executive directors present. During the Reporting Period, Mr. Chen Chengqing ("**Mr. Chen**"), the chairman of the Company did not hold any meeting with the non-executive Directors of the Company without the executive Directors present. However, Mr. Chen has effective communication with the non-executive Directors from time to time.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Upon specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code throughout the Reporting Period.

AUDITORS

The consolidated financial statements for the year ended 31 December 2019 have been audited by ZHONGHUI ANDA CPA Limited ("**Zhonghui Anda**"). Zhonghui Anda has been appointed by the Directors as auditor of the Company on 23 February 2021. Zhonghui Anda will retire, and being eligible, offer themselves for re-appointed at the forthcoming annual general meeting. A resolution for its reappointment as auditor of the Company will be proposed.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, Zhonghui Anda CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by Zhonghui Anda CPA Limited 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Zhonghui Anda CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

An audit committee has been established by the Company to review the financial reporting process, risk management and internal control systems of the Group. The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Khor Khie Liem Alex, Prof. Zhu Yi Zhun and Mr. Zhang Ruigen, while Mr. Khor Khie Liem Alex is the chairman of the audit committee.

The annual results of the Company for the year ended 31 December 2019 and this announcement has been reviewed by the Audit Committee before presented to the Board for approval. The Audit Committee was of the opinion that the preparation of the annual results complied with the applicable accounting standards and requirements as well as the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.1889hk.com) and the 2019 annual report of the Company will be dispatched to the shareholders of the Company and published on the Company's and the Stock Exchange's websites in due course.

ACKNOWLEDGEMENT

The Group would like to extend its sincere gratitude to the management team and all other employees for their hard work and dedication. Their excellence and commitment are of vital importance in enhancing the Company's sustainability. Finally, the Group would like to take this opportunity to thank our shareholders and all other stakeholders for their continuous support and confidence in us.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 24 January 2020 and will remain suspended until the Company fulfills the Resumption Conditions.

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

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

Hong Kong, 16 July 2021

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Chen Chengqing (Chairman), Mr. Gao Borui, Mr. Yuan Chaoyang, Professor Zhang Rongqing and Mr. She Hao, one non-executive director, namely, Mr. Xiu Yuan and three independent non-executive directors, namely, Professor Zhu Yi Zhun, Mr. Khor Khie Liem Alex and Mr. Zhang Ruigen.

* *for identification purposes only*