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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Sanai Health Industry Group Company Limited (“**Sanai Health Industry**” or the “**Company**”) hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to the “**Group**”) for the six-month period ended 30 June 2020 (the “**period under review**”), together with the comparative figures for the corresponding period in 2019.

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b> <b>(Unaudited)</b>	2019 <b>RMB'000</b> <b>(Unaudited)</b> <b>(Restated)</b>
<b>Continuing operations</b>			
<b>Revenue</b>	5	<b>58,995</b>	26,662
Cost of sales and services rendered		<u>(47,292)</u>	<u>(23,742)</u>
Gross profit		<b>11,703</b>	2,920
Other income and other gain, net		<b>787</b>	7,011
Distribution costs		<b>(892)</b>	(61)
Administrative and other expenses		<b>(6,568)</b>	(10,777)
Finance costs	6(a)	<u>–</u>	<u>(27)</u>
<b>Profit/(loss) before income tax</b>		<b>5,030</b>	(934)
Income tax expenses	9	<u>(1,573)</u>	<u>(259)</u>
<b>Profit/(loss) for the period from continuing operations</b>		<u><b>3,457</b></u>	<u>(1,193)</u>

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b> <b>(Unaudited)</b>	2019 <b>RMB'000</b> (Unaudited) (Restated)
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	8	—	147,930
<b>Profit for the period</b>	<b>6(b)</b>	<b>3,457</b>	146,737
<b>Attributable to:</b>			
Owners of the Company			
— Profit/(loss) from continuing operations		2,417	(1,200)
— Profit from discontinued operation		—	147,930
<b>Profit attributable to owners of the Company</b>		<b>2,417</b>	146,730
Non-controlling interests			
— Profit from continuing operations		1,040	7
<b>Profit/(loss) attributable to non-controlling interests</b>		<b>1,040</b>	7
		<b>3,457</b>	146,737
<b>Earnings/(loss) per share</b>			
Basic and diluted (RMB cents)			
— from continuing and discontinued operations	11	0.1	4.7
— from continuing operations		0.1	(0.1)
— from discontinued operation		—	4.8

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2020*

	<b>2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	2019 <i>RMB'000</i> (Unaudited) (Restated)
<b>Profit for the period</b>	<u><b>3,457</b></u>	<u>146,737</u>
<b>Other comprehensive loss:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(585)</u>	<u>(242)</u>
<b>Total comprehensive income for the period</b>	<u><u><b>2,872</b></u></u>	<u><u>146,495</u></u>
<b>Attributable to:</b>		
— Owners of the Company	<u><b>1,832</b></u>	146,488
— Non-controlling interests	<u><b>1,040</b></u>	<u>7</u>
	<u><u><b>2,872</b></u></u>	<u><u>146,495</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		<b>30 June 2020</b>	31 December 2019
	<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>10,926</b>	10,750
Right-of-use assets		<b>4,595</b>	4,660
Prepayment deposits and other receivables		–	23,705
Intangible assets		<b>37,839</b>	38,824
Deferred tax assets		<b>521</b>	1,555
Finance lease receivables		–	98,095
		<b>53,881</b>	177,589
<b>CURRENT ASSETS</b>			
Inventories		<b>5,235</b>	4,329
Trade and other receivables	12	<b>111,147</b>	66,589
Tax recoverable		<b>31</b>	17
Finance lease receivables		<b>98,095</b>	–
Financial assets at fair value through profit or loss		<b>662</b>	651
Cash and cash equivalents		<b>6,759</b>	4,195
		<b>221,929</b>	75,781
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	<b>81,029</b>	62,249
Tax payables		<b>2,017</b>	984
		<b>83,046</b>	63,233
<b>NET CURRENT ASSETS</b>		<b>138,883</b>	12,548
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>192,764</b>	190,137
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>2,326</b>	2,571
<b>NET ASSETS</b>		<b>190,438</b>	187,566
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>28,601</b>	28,601
Reserves		<b>153,237</b>	151,405
Equity attributable to owners of the Company		<b>181,838</b>	180,006
Non-controlling interests		<b>8,600</b>	7,560
<b>TOTAL EQUITY</b>		<b>190,438</b>	187,566

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

## 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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 1 February 2007. The addresses 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 is Unit 5, 7/F., Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

Reference to the announcement dated on 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 on 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.

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“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 period and prior years.

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

#### 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.

Information regarding the Group’s reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below:

##### For the six months ended 30 June 2020 (Unaudited)

	Continuing operations				Total RMB’000
	Pharmaceutical products RMB’000	Finance leasing RMB’000	Other general trading RMB’000	Genetic testing and molecular diagnostic services RMB’000	
Reportable segment revenue from external customers	20,677	3,302	32,083	2,933	58,995
Reportable segment profit	3,572	3,072	560	67	7,271

##### For the six months ended 30 June 2019 (Unaudited)

	Discontinued operation		Continuing operations			Total RMB’000
	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	
Reportable segment revenue from external customers	28	3,102	3,239	18,951	1,370	26,690
Reportable segment profit/(loss)	(5,338)	697	797	(562)	29	(4,377)

There are no inter-segment sales for the six-month periods ended 30 June 2020 and 2019.

The measure used for reporting segment (loss)/profit is earnings and losses of each segment without allocation of other income, central administration costs and other operating expenses.

**(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.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong	2,933	1,977
The PRC	23,979	24,713
Europe	32,083	–
Elimination of discontinued operation ( <i>note 8</i> )	–	(28)
	<u>58,995</u>	<u>26,662</u>
Revenue from continuing operations	<u><u>58,995</u></u>	<u><u>26,662</u></u>

**(ii) Reconciliation of reportable segment profit or loss:**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Total reportable segment profit/(loss) derived from the Group's external customers	7,271	(4,377)
Unallocated head office and corporate other revenue and net income	787	154,941
Unallocated head office and corporate expenses		
— staff cost (including director's emoluments)	(1,072)	(1,321)
— others	(1,956)	(2,247)
Elimination of discontinued operation	–	(147,930)
	<u>5,030</u>	<u>(934)</u>
Consolidated profit/(loss) before income tax for the period from continuing operations	<u><u>5,030</u></u>	<u><u>(934)</u></u>

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 June 2020 and 31 December 2019:

**At 30 June 2020 (Unaudited)**

	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 assets	<u>36,064</u>	<u>107,962</u>	<u>52,451</u>	<u>1,899</u>	<u>198,376</u>
Reportable segment liabilities	<u>(10,865)</u>	<u>(16,943)</u>	<u>(398)</u>	<u>(576)</u>	<u>(28,782)</u>

**At 31 December 2019 (Audited)**

	Pharmaceutical products <i>RMB'000</i>	Finance leasing <i>RMB'000</i>	Other general trading <i>RMB'000</i>	Genetic testing and molecular diagnostic services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Reportable segment assets</b>	36,647	106,749	52,240	1,287	196,923
<b>Reportable segment liabilities</b>	(18,019)	(12,583)	(3,799)	(199)	(34,600)

**5. REVENUE**

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from contracts with customers</b>		
Sales of goods		
— Pharmaceutical products	20,677	3,130
— Other goods for general trading	32,083	18,951
Provision of genetic testing and molecular diagnostic services	2,933	1,370
	<b>55,693</b>	23,451
<b>Revenue from other sources</b>		
Finance leasing interest income	3,302	3,239
	<b>58,995</b>	26,690
Representing:		
Continuing operations	58,995	26,662
Discontinued operation ( <i>note 8</i> )	—	28
	<b>58,995</b>	26,690

The revenue from contracts with customers of the Group during the six months ended 30 June 2020 are recognised at a point in time (for the six months ended 30 June 2019: at a point in time).



## 6. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>a) Finance costs</b>		
Interest on bank borrowings	–	4,162
Other interest expense	–	27
	<u>–</u>	<u>4,189</u>
Total interest expenses	<u>–</u>	<u>4,189</u>
Representing:		
— Continuing operations	–	27
— Discontinued operation ( <i>note 8</i> )	–	4,162
	<u>–</u>	<u>4,189</u>
<b>b) Other items</b>		
<b>Continuing operations</b>		
Depreciation of property, plant and equipment	736	520
Amortisation of intangible assets	985	326
Gain on financial assets at fair value through profit or loss	(11)	(186)
Expenses relating to short-term leases	457	1,000
Cost of inventories	43,825	21,480
	<u>43,825</u>	<u>21,480</u>
<b>Discontinued operation (<i>note 8</i>)</b>		
Other staff costs		
— Salaries, wages and other benefits	–	1,076
Total staff costs	–	1,076
	<u>–</u>	<u>1,076</u>
Cost of inventories	–	279
	<u>–</u>	<u>279</u>

## 7. ACQUISITION OF SUBSIDIARIES

### For the six months ended 30 June 2019

#### (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 30 June 2020.

(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 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 entire equity interest in Zentrogene at a consideration of HKD19,500,000 (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
<b>Net assets acquired:</b>				
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)
<b>Total identifiable net assets at fair value</b>	<b>16,393</b>	<b>2,043</b>	<b>3,759</b>	<b>22,195</b>
Non-controlling interest	(8,032)	–	–	(8,032)
Goodwill	–	–	12,914	12,914
Gain on bargain purchase on acquisition	(711)	(43)	–	(754)
<b>Total consideration</b>	<b>7,650</b>	<b>2,000</b>	<b>16,673</b>	<b>26,323</b>

## 8. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

### For the six months ended 30 June 2019

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.

#### (a) Analysis of the profit from the discontinued operation

	<b>2019</b> <i>RMB'000</i>
Profit for the period from discontinued operation	35,939
Gain on disposal of subsidiaries ( <i>note 8(b)</i> )	111,991
	<u>147,930</u>
	<b>Period from 1 January 2019 to 2019 Disposal Date Fujian Sanai <i>RMB'000</i></b>
Revenue	28
Cost of sales and services rendered	<u>(279)</u>
Gross loss	(251)
Other income and other gain/losses, net	43,277
Distribution costs	(7)
Administrative and other expenses	(934)
Finance costs	(4,162)
Impairment loss on trade receivables	(1,664)
Impairment loss on other receivables	<u>(320)</u>
Profit before income tax	35,939
Income tax expenses	<u>–</u>
Profit for the period from discontinued operation	<u><u>35,939</u></u>

(b) Disposal of subsidiaries

	<b>At 2019 Disposal Date</b>
	<b>2019 Total RMB'000</b>
Net liabilities disposed of	
Property, plant and equipments	8
Inventories	2,032
Trade and other receivables	84,488
Tax recoverable	302
Amount due from group companies	2,239
Cash and cash equivalents	30
Trade and other payables	(30,061)
Secured bank loans	(165,989)
Deferred tax liabilities	(5,031)
	<hr/>
	(111,982)
Gain on disposal of subsidiaries	111,991
	<hr/>
Total consideration	9
	<hr/> <hr/>

**9. INCOME TAX EXPENSES**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax		
PRC Enterprise Income Tax ("EIT")	<u>1,818</u>	<u>341</u>
	<b>1,818</b>	<b>341</b>
Deferred taxation	<u>(245)</u>	<u>(82)</u>
	<u><b>1,573</b></u>	<u><b>259</b></u>
Representing:		
— Continuing operations	<u><b>1,573</b></u>	<u><b>259</b></u>

For the PRC subsidiaries of the Group, PRC EIT is calculated at 25% (2019: 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 six months ended 30 June 2020 and 2019. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2020 and 2019 as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2020 and 2019.

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

## 10. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2020 and 2019.

## 11. 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:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the year attributable to the owners of the Company for the purpose of basis earnings/(loss) per share		
— From continuing operations	2,417	(1,200)
— From discontinued operation	—	147,930
	<u>2,417</u>	<u>146,730</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basis earnings/(loss) per share	<u>3,067,223</u>	<u>3,067,223</u>

For the period ended 30 June 2020 and 2019, 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.

## 12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables (net of loss allowance)	6,432	13,283
Other receivables	20,572	17,270
Investment in bond issued by a private company	11,850	11,622
Amount due from a related company	2	2
Prepayments and deposits	72,191	46,868
Other PRC tax receivables	100	1,249
	<u>111,147</u>	<u>90,294</u>
Represented by:		
Current	111,147	66,589
Non-current	—	23,705
	<u>111,147</u>	<u>90,294</u>

The Group normally grants credit terms of 30 to 180 days (31 December 2019: 30 to 180 days) to its customers. Included in trade and other receivables are trade receivables (net of impairment) of approximately RMB6,432,000 (31 December 2019: approximately RMB13,283,000) and their ageing analysis (net of impairment) at the end of the reporting period, presented based on the invoice date is as follows:

	As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 30 days	1,676	5,333
31 to 60 days	913	1,553
61 to 90 days	399	316
91 to 120 days	115	802
121 to 365 days	1,113	3,527
Over 365 days	2,216	1,752
	<u>6,432</u>	<u>13,283</u>

### 13. TRADE AND OTHER PAYABLES

	As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	5,626	6,303
Payroll and welfare payables	1,234	1,553
Accrued expenses	5,705	8,836
Other payables	37,021	36,424
Other PRC tax payables	126	229
Contract liabilities	25,517	3,104
Deposits received	5,800	5,800
	<u>81,029</u>	<u>62,249</u>

Included in trade and other payables are trade payables of approximately RMB5,626,000 (31 December 2019: approximately RMB6,303,000) and their ageing analysis of trade payables, presented based on the invoice date is as follows:

	As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 30 days	2,560	3,941
31 to 60 days	27	239
61 to 90 days	320	54
91 to 120 days	1,477	33
121 to 365 days	900	1,992
Over 365 days	342	44
	<u>5,626</u>	<u>6,303</u>

#### 14. SHARE CAPITAL

	Number of ordinary shares ( '000)	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 1 January 2019 (Audited), 30 June 2019 (Unaudited), 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	<u>10,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 1 January 2019 (Audited), 30 June 2019 (Unaudited), 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	<u>3,067,223</u>	<u>30,672</u>
		<i>RMB'000</i>
Shown in the condensed consolidated financial statements at		
1 January 2019 (Audited), 30 June 2019 (Unaudited), 1 January 2020 (Audited) and 30 June 2020 (Unaudited)		<u>28,601</u>

#### 15. MATERIAL RELATED PARTY TRANSACTIONS

The details of remuneration of key management personnel, representing amounts paid to the directors of the Company during the six-month period ended 30 June 2020, are set out as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	<u>840</u>	<u>627</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six months ended 30 June 2020 (the “**Current 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

Since the acquisition of Fujian Yongchun Pharmaceutical Company Limited\* (福建永春製藥有限公司) (“**Fujian Yongchun**”) and Fujian Zhixin Medicine Co., Limited\* (福建至信醫藥有限公司) (“**Fujian Zhixin**”) in 2019, the Company continued to develop its core business, pharmaceutical products business.

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 of 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 becomes one of the important bases for pharmaceutical production of the Group.

The Group aims to increase its market share by further promoting core products and other products of Fujian Yongchun. To achieve this goal, the Group plans to adjust its current market position. In particular, the Group plans to enhance its sales and promotional strategies so as to strengthen its market penetration. The Group will continue to expand its sales team to further explore the traditional medicine market by introducing sales via drugstore chains and other channels. The Group will also fully leverage on 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. Not only the Group can sell its pharmaceutical 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 Current Period, the revenue derived from pharmaceutical products business increased by approximately 560.70% to approximately RMB20.68 million (2019 interim: approximately RMB3.13 million).



## **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 Current Period was approximately RMB3.30 million (2019 interim: RMB3.24 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, including the trading of pharmaceutical related apparatus and products such as masks and oxygen machine, etc.. During the Current Period, other general trading business recorded a revenue of approximately RMB32.08 million (2019 interim: approximately RMB18.95 million), representing a significant increase of approximately 69.29%. The increase was mainly attributable to the trading of masks and oxygen machines which had high demand due to the outbreak of COVID-19 pandemic in 2020.

## **Genetic Testing and Molecular Diagnostic Services**

The Group has acquired the equity interests in Zentrogene Bioscience Laboratory Limited (“Zentrogene”) in April 2019 which primarily engages in the provision of services including 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 Current Period, the revenue generated from genetic testing and molecular diagnostic services amounted to approximately RMB2.93 million (2019 interim: RMB1.37 million), representing an increase of 113.86%. The significant increase was due to the fact that the Group has only recorded three months of revenue of Zentrogene in the first six months' period in 2019 after completion of the acquisition of the same, and Zentrogene has established cooperative relationship with new business partners in Shenzhen which contributes to a growth in revenue in the Current Period.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2020, the Group has a total revenue of approximately RMB59.00 million from its continuing operations, representing an increase of approximately 121.31% as compared to approximately RMB26.66 million in the corresponding period for 2019, and the gross profit margin from the continuing operation was approximately 19.84% (2019 interim: gross profit margin approximately 10.95%). The Group recorded a profit attributable to owners of the Company of approximately RMB2.42 million (2019 interim: approximately RMB146.73 million). Profit attributable to owners of the Company for the Current Period dropped significantly as compared to the corresponding period in 2019 was due to the fact that the profit for the corresponding period in 2019 was mainly generated from the one-off gain on disposal of subsidiaries which amounted to approximately RMB111.99 million. The basic and diluted earnings per share was approximately RMB0.1 cents (2019 interim: basic and diluted earnings per share was approximately RMB4.7 cents).

## Liquidity, Financial Resources and Capital Structure

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB6.76 million (as at 31 December 2019: approximately RMB4.20 million) and most cash and cash equivalents were denominated in Renminbi and Hong Kong dollars.

The Group had reviewed the capital structure by using gearing ratio. The gearing ratio represents the total debt, which includes trade and other payables of the Group, divided by total equity of the Group. The gearing ratio of the Group was approximately 42.55% as at 30 June 2020 (as at 31 December 2019: approximately 33.18%).

## Exposure to Fluctuation in Exchange Rates

During the six months ended 30 June 2020, the Group conducted most of its business transactions in Renminbi. The Group had not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. As at 30 June 2020, 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 Current 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 listing of the Company 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 listing of the Company.

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 was 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 Company's listing.

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.

## **SIGNIFICANT ACQUISITIONS AND DISPOSAL OF INVESTMENTS**

There was no significant acquisition and disposal of investments held during the Current Period.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

For the six months ended 30 June 2020, the Group employed approximately 69 employees (2019 interim: 74 employees) with total staff cost of approximately RMB4.04 million (2019 interim: approximately RMB3.0 million). The Group determined staff remuneration in accordance with the 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 six months ended 30 June 2020 and 30 June 2019, there was no significant capital expenditure of the Group for property, plant and equipment.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019 interim: Nil).

## **DIRECTORS' 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 Listing Rules as the Company’s own code for securities transactions by its Directors. In addition, the Company has made specific enquiries with all Directors and all Directors confirmed that during the six months ended 30 June 2020, they had fully complied with the required standards as set out in the Model Code.

## 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 Current Period:

Category of participant	Number of share options				At 30 June 2020 HK\$	Date of grant	Exercise period	Exercise price	Closing price of the shares immediately before the date of grant
	At 1 January 2020 HK\$	Granted during the period	Cancelled or lapsed during the period	Exercise during the period					
Employees in aggregate	34,800,000	-	-	-	34,800,000	24 May and 30 May 2018	24 May 2018 to 29 May 2023 <i>(Note)</i>	-	-
Non-employees in aggregate	2,000,000	-	-	-	2,000,000	30 May 2018	30 May 2018 to 29 May 2023 <i>(Note)</i>	-	-
	<u>36,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,800,000</u>				

## EVENTS AFTER THE CURRENT PERIOD

Save as disclosed in this announcement, there was no important event after the end of the Current Period up to 31 August 2020. Please refer to the Company’s annual report 2020 for events subsequent to 31 August 2020.

## 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 Current Period.

## 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 during the six months ended 30 June 2020, except for deviation from code provision A.2.1 and A.5.1 of the CG Code. The Company also failed to comply with Rule 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules.

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.

Following the resignation of Mr. Tu Fangkui as an independent non-executive Director, member of the Audit Committee, member of the remuneration Committee and member of the Nomination Committee of the Company on 30 June 2020. The Company only had two independent non-executive Directors, namely Mr. Wang Zihao (“**Mr. Wang**”) and Mr. Long Jun (“**Mr. Long**”), and failed to meet the requirements of having: (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; (b) independent non-executive directors who represent at least one-third of the Board under Rule 3.10A of the Listing Rules; (c) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; (d) the Remuneration Committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and (e) the Nomination Committee comprising a majority of independent non-executive directors under code provision A.5.1 of the CG Code contained in Appendix 14 to the Listing Rules.

## **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 Annual Report are set out below:

With effect from 30 June 2020, Mr. Tu Fangkui resigned as an independent non-executive Director and ceased to be a member of each of the audit committee, the remuneration committee and the nomination committee, due to his intention to pursue other business opportunities. Further details were disclosed in the Company’s announcement dated 30 June 2020.

## **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 Current Period.

## **AUDIT COMMITTEE REVIEW**

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. Mr. Khor Khie Liem Alex serves as the chairman of the audit committee of the Company, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the Current Period. They considered that the unaudited interim financial statements of the Group for the Current Period are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The 2020 interim results announcement are published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.1889hk.com](http://www.1889hk.com)) and the 2020 interim 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*