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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 2021
AND
CONTINUED SUSPENSION OF TRADING**

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 2021 (the “**Current Period**”), together with the comparative figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2021*

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	28,007	58,995
Cost of sales and services rendered		<u>(11,097)</u>	<u>(47,292)</u>
Gross profit		16,910	11,703
Other income and other gain, net		111	787
Distribution costs		(472)	(892)
Administrative and other expenses		<u>(4,184)</u>	<u>(6,568)</u>
Profit before income tax		12,365	5,030
Income tax expenses	7	<u>(3,530)</u>	<u>(1,573)</u>
Profit for the period	6	<u>8,835</u>	<u>3,457</u>
Profit for the period attributable to:			
Owners of the Company		6,277	2,417
Non-controlling interests		<u>2,558</u>	<u>1,040</u>
		<u>8,835</u>	<u>3,457</u>
Earnings per share			
Basic (RMB cents)	9	<u>0.2</u>	<u>0.1</u>
Diluted (RMB cents)	9	<u>0.2</u>	<u>0.1</u>

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

For the six months ended 30 June 2021

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Profit for the period	<u>8,835</u>	<u>3,457</u>
Other comprehensive loss:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(1,178)</u>	<u>(585)</u>
Total comprehensive income for the period	<u><u>7,657</u></u>	<u><u>2,872</u></u>
Attributable to:		
— Owners of the Company	<u>5,099</u>	1,832
— Non-controlling interests	<u>2,558</u>	<u>1,040</u>
	<u><u>7,657</u></u>	<u><u>2,872</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		9,563	10,272
Right-of-use assets		4,472	4,531
Intangible assets	10	7,366	36,855
		21,401	51,658
CURRENT ASSETS			
Inventories		13,907	14,025
Trade and other receivables	11	79,904	123,696
Tax recoverable		–	29
Finance lease receivables		59,460	98,095
Financial assets at fair value through profit or loss		510	517
Cash and cash equivalents		132,102	2,630
		285,883	238,992
CURRENT LIABILITIES			
Trade and other payables	12	92,416	82,033
Tax payables		3,850	5,011
		96,266	87,044
NET CURRENT ASSETS		189,617	151,948
TOTAL ASSETS LESS CURRENT LIABILITIES		211,018	203,606
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,836	2,081
NET ASSETS		209,182	201,525
CAPITAL AND RESERVES			
Share capital	13	28,601	28,601
Reserves		165,393	160,294
Equity attributable to owners of the Company		193,994	188,895
Non-controlling interests		15,188	12,630
TOTAL EQUITY		209,182	201,525

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2020 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 2020.

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 2021. 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 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 2021 and 2020 is set out below:

For the six months ended 30 June 2021 (Unaudited)

	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>
Reportable segment revenue from external customers	<u>16,112</u>	<u>7,002</u>	<u>2,306</u>	<u>2,587</u>	<u>28,007</u>
Reportable segment profit/(loss)	<u>7,288</u>	<u>6,687</u>	<u>(111)</u>	<u>500</u>	<u>14,364</u>

For the six months ended 30 June 2020 (Unaudited)

	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>
Reportable segment revenue from external customers	<u>20,677</u>	<u>3,302</u>	<u>32,083</u>	<u>2,933</u>	<u>58,995</u>
Reportable segment profit	<u>3,572</u>	<u>3,072</u>	<u>560</u>	<u>67</u>	<u>7,271</u>

There are no inter-segment sales for the six-month periods ended 30 June 2021 and 2020.

The measure used for reporting segment profit/(loss) 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.

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Hong Kong	2,587	2,933
The PRC	25,420	23,979
Europe	—	32,083
Total	<u>28,007</u>	<u>58,995</u>

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Total reportable segment profit derived from the Group's external customers	14,364	7,271
Unallocated head office and corporate other revenue and net income	111	787
Unallocated head office and corporate expenses		
— staff cost (including director's emoluments)	(953)	(1,072)
— others	(1,157)	(1,956)
Consolidated profit before income tax for the period	<u>12,365</u>	<u>5,030</u>

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 June 2021 and 31 December 2020:

At 30 June 2021 (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>84,608</u>	<u>59,709</u>	<u>26,611</u>	<u>1,237</u>	<u>172,165</u>
Reportable segment liabilities	<u>(25,522)</u>	<u>(15,255)</u>	<u>(24,678)</u>	<u>(2,743)</u>	<u>(68,198)</u>

At 31 December 2020 (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>
Reportable segment assets	<u>55,649</u>	<u>113,126</u>	<u>64,751</u>	<u>1,667</u>	<u>235,193</u>
Reportable segment liabilities	<u>(25,403)</u>	<u>(13,995)</u>	<u>(15,218)</u>	<u>(2,814)</u>	<u>(57,430)</u>

5. REVENUE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of goods		
— Pharmaceutical products	16,112	20,677
— Other goods for general trading	2,306	32,083
Provision of genetic services and molecular diagnostic services	2,587	2,933
	21,005	55,693
Revenue from other sources		
Finance leasing interest income	7,002	3,302
	28,007	58,995

The revenue from contracts with customers of the Group during the six months ended 30 June 2021 are recognised at a point in time (for the six months ended 30 June 2020: 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	450	473
Amortisation of intangible assets	985	985
Loss/(gain) on financial assets at fair value through profit or loss	7	(11)
Expenses related to short-term leases	135	457
Cost of inventories	8,647	43,825

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	<u>3,775</u>	<u>1,818</u>
Deferred taxation	<u>(245)</u>	<u>(245)</u>
	<u><u>3,530</u></u>	<u><u>1,573</u></u>

For the PRC subsidiaries of the Group, PRC EIT is calculated at 25% (2020: 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 2021 and 2020. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2021 and 2020 as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2021 and 2020.

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

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2021 and 2020.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company are based on the following data:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	<u>6,277</u>	<u>2,417</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><u>3,067,223</u></u>	<u><u>3,067,223</u></u>

For the six-month period ended 30 June 2021 and 2020, the diluted earnings per share was the same as the basic earnings per share as the impact of share options had an anti-dilutive effect.

10. INTANGIBLE ASSETS

As at 31 December 2020, included in the intangible assets of RMB28,507,000 represents the intangible asset related to a right to the economic returns on certain laundry shops in the PRC. Since the acquisition of the intangible assets and up to June 2021, due to the changes in market condition, the economics returns on most laundry shops in the PRC is unsatisfactory and that the progress on setting up new laundry shops in the PRC was far behind schedule. The management in accordance with the clause of the agreement with the Vendor, had requested for the full refund from the Vendor. The amount of the above mentioned refund had been settled in June 2021.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables (net of loss allowance)	23,943	23,176
Other receivables	10,219	29,146
Investment in bond issued by a private company	–	10,946
Amount due from a related company	2	2
Prepayments and deposits	45,640	60,326
Other PRC tax receivables	100	100
	<u>79,904</u>	<u>123,696</u>

The Group normally grants credit terms of 30 to 180 days (31 December 2020: 30 to 180 days) to its customers. Included in trade and other receivables are trade receivables (net of impairment) of approximately RMB23,943,000 (31 December 2020: approximately RMB23,176,000) 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 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 30 days	6,850	6,452
31 to 60 days	5,374	5,050
61 to 90 days	4,299	4,126
91 to 120 days	3,549	3,540
121 to 365 days	1,126	945
Over 365 days	2,745	3,063
	<u>23,943</u>	<u>23,176</u>

12. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables	11,683	9,736
Payroll and welfare payables	2,310	1,828
Accrued expenses	8,715	6,547
Other payables	50,628	46,684
Other PRC tax payables	126	466
Contract liabilities	13,154	10,972
Deposits received	5,800	5,800
	<u>92,416</u>	<u>82,033</u>

Included in trade and other payables are trade payables of approximately RMB11,683,000 (31 December 2020: approximately RMB9,736,000) and their ageing analysis of trade payables, presented based on the invoice date is as follows:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 30 days	4,913	4,866
31 to 60 days	2,852	1,006
61 to 90 days	3,549	3,517
91 to 120 days	110	75
121 to 365 days	125	114
Over 365 days	134	158
	<u>11,683</u>	<u>9,736</u>

13. SHARE CAPITAL

	Number of ordinary shares ('000)	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2020 (Audited), 30 June 2020 (Unaudited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2020 (Audited), 30 June 2020 (Unaudited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	<u>3,067,223</u>	<u>30,672</u>
		<i>RMB'000</i>
Shown in the condensed consolidated financial statements at 1 January 2020 (Audited), 30 June 2020 (Unaudited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)		<u>28,601</u>

14. 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 2021, are set out as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	<u>840</u>	<u>840</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 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. Its plants occupies a site area of 32,330 square metres with a gross floor area 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 will continue to increase its market share by promoting the core products and other products of Fujian Yongchun. To achieve this goal, the Group will adjust its market position from time to time. In particular, the Group currently 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 utilize 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 pharmaceutical and healthcare products for other pharmaceutical companies.

During the Current Period, the revenue derived from pharmaceutical products business decreased by approximately 22.10% to approximately RMB16.11 million (2020 interim: approximately RMB20.68 million). The decrease in the revenue generated was due to the adjustment in the Company’s sales strategy to focus on sales of self-manufactured products with high margin and selectively turn down some sales orders with low margin. However, the profit derived from the pharmaceutical products business has increased to RMB7.29 million for the Current Period, representing an increase of approximately 104% as compared to the corresponding period of 2020.

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 RMB7.00 million (2020 interim: RMB3.30 million). The increase was mainly attributed to, *inter alia*, the receipt of the compensation income and additional interest due to the late payment from the customers approximately RMB3.60 million.

The Company will continue to endeavour to expand its finance 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, the revenue generated from the other general trading business was approximately RMB2.31 million (2020 interim: approximately RMB32.08 million). The substantial decrease was mainly attributable to the significant reduction in the scale of operation of the other general trading business.

Genetic Testing and Molecular Diagnostic Services

The Group has acquired the entire equity interests in Zentrogene Bioscience Laboratory Limited (“**Zentrogene**”) in April 2019 which primarily engages in the provision of, *inter alia*, genetic testing and molecular diagnostic services. Zentrogene operates a laboratory with the requisite license in Hong Kong, providing services such as 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 RMB2.59 million (2020 interim: RMB2.93 million), representing a decrease of approximately 11.80%, which was attributed to the almost total absence of customers travelling from the PRC to Hong Kong in the Current Period as a result of stringent travelling restrictions and quarantine policies between Hong Kong and the PRC in respect of the outbreak of COVID-19 pandemic.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group generated a total revenue of approximately RMB28.00 million, representing a decrease of approximately 52.52% as compared to approximately RMB59.00 million in the corresponding period in 2020, and the gross profit margin was approximately 60.38% (2020 interim: approximately 19.84%). The Group recorded a profit attributable to owners of the Company of approximately RMB6.3 million (2020 interim: approximately RMB2.42 million), which was primarily attributed to the increase in the sales of self-manufactured pharmaceutical products with higher margin in the Current Period and a drop in the administrative and other expenses due to the significant reduction in the scale of operation of other general trading business. The basic and diluted earnings per share was approximately RMB0.2 cents (2020 interim: approximately RMB0.1 cent).

Liquidity, Financial Resources and Capital Structure

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB132.10 million (as at 31 December 2020: approximately RMB2.63 million) and most cash and cash equivalents were denominated in Renminbi and Hong Kong dollars.

The Group has 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 44.18% as at 30 June 2021 (as at 31 December 2020: approximately 40.71%).

Exposure to Fluctuation in Exchange Rates

During the six months ended 30 June 2021, 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 2021, 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 foreign 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 (the “**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 months. 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.

On 9 July 2021, the Company has submitted a resumption proposal to the Stock Exchange. The resumption proposal submitted to the Stock Exchange set forth the business, financial and other material information of the Company, including, inter alia, a profit and cashflow forecast to demonstrate that the Company has fulfilled all the Resumption Conditions.

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 2021, the Group employed approximately 62 employees (2020 interim: 69 employees) with total staff cost of approximately RMB2.39 million (2020 interim: approximately RMB4.04 million). The Group determined staff remuneration with reference to 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 2021 and 30 June 2020, 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 2021 (2020 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 each of the Directors has confirmed that during the six months ended 30 June 2021, 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 sets out the movements in the Share Options during the Current Period:

Category of participant	Number of share options				At 30 June 2021 HK\$	Date of grant	Exercise period	Exercise price	Closing price of the shares immediately before the date of grant
	At 1 January 2021 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>				

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

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 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 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 2021, except for certain deviations disclosed below:

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.

From 1 January 2021 to 2 February 2021, the Company only had one independent non-executive Director and one member in the Audit Committee. Hence, the Company 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 of the Company comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; (d) at least one of the independent non-executive directors who have appropriate professional qualifications or accounting or related financial management expertise in accordance with Rule 3.10(2) of the Listing Rules; (e) the remuneration committee of the Company comprising a majority of independent non-executive directors and chaired by an independent non-executive director under Rule 3.25 of the Listing Rules; and (f) the nomination committee of the Company comprising a majority of independent non-executive directors under code provision A.5.1 of the CG Code.

Upon the appointments of Mr. Khor Khie Liem, Alex (“**Mr. Khor**”) and Mr. Zhang Ruigen (“**Mr. Zhang**”) on 3 February 2021 and 25 June 2021 respectively, (i) the Board has three independent non-executive Directors, namely, Professor Zhu Yi Zhun (“**Professor Zhu**”), Mr. Khor and Mr. Zhang which is in compliance with Rule 3.10(1) of the Listing Rules; (ii) the independent non-executive Directors represent at least one-third of the Board in compliance with Rule 3.10A of the Listing Rules; (iii) the Audit Committee comprising three independent non-executive Directors, namely Mr. Khor (chairman), Professor Zhu and Mr. Zhang and is in compliance with Rule 3.21 of the Listing Rules; (iv) the Audit Committee has at least one of the independent non-executive directors who must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules; (v) the Remuneration Committee comprised two executive Directors, namely Mr. Chen Chengqing (“**Mr. Chen**”) and Professor Zhang Rongqing (“**Professor Zhang**”), and three independent non-executive Directors, namely Mr. Khor (Chairman), Professor Zhu and Mr. Zhang and is in compliance with Rule 3.25 of the Listing Rules; and (vi) the Nomination Committee Comprised two executive Directors, namely Mr. Chen (Chairman) and Professor Zhang,, and three independent non-executive Directors, namely Professor Zhu, Mr. Khor and Mr. Zhang and in compliance with code provision A.5.1 of the CG Code.

From 25 June 2021 onwards, the composition of the Board and the Audit Committee are in compliance with the requirements under Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.10(2) of the Listing Rules respectively, and the composition of the Remuneration Committee and the Nomination Committee are in compliance with Rule 3.25 and code provision A.5.1 of the CG Code in Appendix 14 of the Listing Rules respectively.

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 2020 Annual Report are set out below:

On 3 February 2021, Mr. Khor Khie Liem Alex has been appointed as an independent non-executive Director, the chairman of each of the audit committee and the remuneration committee, and a member of the nomination committee. Further details were disclosed in the Company's announcement dated 3 February 2021.

On 25 June 2021, Mr. Zhang Ruigen has been appointed as an independent non-executive Director, a member of each of the audit committee, the remuneration committee and the nomination committee. Further details were disclosed in the Company's announcement dated 25 June 2021.

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, Prof. Zhu and Mr. Zhang. Mr. Khor 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 2021 interim results announcement are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.1889hk.com) and the 2021 interim report of the Company will be dispatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange 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, 31 August 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*