

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company nor anything herein forms the basis for any contract or commitment whatsoever.*



## **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)**

### **PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE**

On 13 January 2022 (after trading hours), the Company, the Obligors and the Subscribers entered into the Subscription Agreement, pursuant to which, on the terms and subject to the conditions therein, the Company has agreed to issue, and the Subscribers have agreed to subscribe for, the Convertible Notes in the aggregate principal amount of HK\$72,000,000.

Completion is subject to the fulfillment or waiver of the Conditions Precedent set out in the Subscription Agreement. Detailed terms of the Subscription Agreement and the Convertible Notes are set out in the paragraphs headed “Principal terms of the Subscription Agreement” and “Principal terms of the Convertible Notes”, respectively below.

As at the date of this announcement, the Company has a total of 3,067,222,500 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the Conversion Price and assuming full conversion of the Convertible Notes at the Conversion Price, the Convertible Notes will be convertible up to the maximum of 605,042,016 Shares, representing approximately 19.73% of the issued share capital of the Company as at the date of this announcement and approximately 16.48% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Notes. The Conversion Shares will be allotted and issued pursuant to the General Mandate upon conversion of the Convertible Notes.

No listing of the Convertible Notes will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The estimated proceeds from the issue of the Convertible Notes are expected to be approximately HK\$71,700,000. The Company intends to use the proceeds from the issue of the Convertible Notes for the working capital of the Company.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the Conditions Precedent thereunder. As the issue of the Convertible Notes may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares or other securities of the Company.

## **INTRODUCTION**

On 13 January 2022 (after trading hours), the Company, the Obligors, the Subscribers entered into the Subscription Agreement. Details of the Subscription Agreement and the terms of the Convertible Notes are described below:

## **PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT**

### **Date**

13 January 2022 (after trading hours)

### **Parties**

- (1) the Company as issuer;
- (2) the Obligors as obligors; and
- (3) the Subscribers as subscribers

To the best of the Directors' knowledge and having made reasonable enquiries, each of the Subscribers are parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules). The Obligor 1 and the Obligor 2 are indirect wholly-owned subsidiaries of the Company.

### **Subscription of Convertible Notes**

Pursuant to the Subscription Agreement, the Company agreed to issue and each of the Subscriber 1 and Subscriber 2 agreed to subscribe for the Convertible Notes in the principal amount of HK\$41,040,000 and HK\$30,960,000 respectively at the Conversion Price of HK\$0.119 per Share.

## Conditions Precedent

Completion is subject to, among the others, the satisfaction or waiver of the following conditions precedent (the “**Conditions Precedent**”) on or prior to the Completion Date:

- (a) the representations and warranties under the Subscription Agreement being true, correct and complete in all material respects when made and remaining true, correct and complete and not misleading in all material respects as at the Completion Date;
- (b) the Listing Committee having granted (either unconditionally or subject to conditions to which neither the Company nor the Subscribers objects) listing of and permission to deal in the Conversion Shares issuable by the Company upon exercise by the Holders of the Conversion Rights;
- (c) the compliance of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the Subscription Agreement and transactions contemplated hereunder (including but not limited to, the issue of the Convertible Notes, the execution of the Instrument, the Account Charge and the Share Charges, the issue of the certificates for the Convertible Notes and the issue and allotment of the Conversion Shares);
- (d) the Board having passed all necessary resolutions in approving, among other things, the Subscription Agreement and the transactions contemplated hereunder (including but not limited to, the issue of the Convertible Notes, the execution of the Instrument, the Account Charge and the Share Charges, the issue of the certificates for the Convertible Notes and the issue and allotment of the Conversion Shares);
- (e) (where required) the Company and the Obligors having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Subscription Agreement and/or the performance of its obligations hereunder by the Company and the Obligors (save and except the registration of the Account Charge and the Share Charges at the relevant government authority, if necessary);
- (f) the Share Charges, the Account Charge and the related ancillary documents having been duly executed by the Issuer and the relevant Obligor (as the case may be);
- (g) none of the following events having occurred:
  - (i) any suspension in the trading of the Company’s securities on the Stock Exchange for any period exceeding 30 consecutive trading days, excluding any suspension in connection with the clearance of the announcement by the Stock Exchange; or
  - (ii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Completion Date.

Save for paragraphs (b), (c) and (e), all other Conditions Precedent may be waived by the Subscribers in whole or in part. The Company shall use its best endeavours to procure the fulfillment of the Conditions Precedent in paragraphs (a) to (f) are fulfilled as early as practicable and in any event not later than 31 January 2022 or such other date as the Company and the Subscribers may agree in writing.

If the Conditions Precedent have not been fulfilled on or before 31 January 2022 or such other date as may be agreed in writing between the Company and the relevant Subscriber, the Subscription Agreement will lapse and become null and void and the parties will be released from all obligations hereunder, save for liabilities for any antecedent breaches.

Completion of the subscription for the Convertible Notes by each Subscriber are not inter-conditional to each other.

### **Completion**

Subject to the fulfillment or waiver (if applicable) of the Conditions Precedent, the Completion shall take place on the Completion Date.

## **PRINCIPAL TERMS OF THE CONVERTIBLE NOTES**

### **Issuer**

The Company

### **Principal Amount**

HK\$72,000,000, comprising HK\$41,040,000 to be paid by Subscriber 1 and HK\$30,960,000 to be paid by Subscriber 2

### **Form and Denomination**

The Convertible Notes are issued in registered form and will be in denominations of HK\$1,000,000 each (unless the amount remaining on exercise of the conversion rights or in consequence of any adjustment to the terms of the Instrument shall be less than HK\$1,000,000).

### **Issue Price**

100% of the aggregate principal amount of the Convertible Notes.

### **Coupon**

Until the Convertible Notes are fully converted or redeemed and cancelled, the Convertible Notes shall bear interest at the rate of three (3) per cent per annum, which shall be payable by the Company in arrears on a semi-annually basis. The interest period shall commence on the Issue Date and in every six month thereafter to and including the Maturity Date.

### **Maturity Date**

The date falling on the first anniversary of the Issue Date.

## **Transferability**

The Convertible Notes shall be transferable by a Holder to any person, in whole or in part, without obtaining prior written consent from the Company, save for a connected person of the Company which requires the consent of the Stock Exchange. The Convertible Notes may be transferred in whole multiples of HK\$1,000,000 (or such lesser amount as may represent the entire principal amount).

## **Voting**

The holders of the Convertible Notes will not be entitled to attend or vote at any general meetings of the Company by reason only of being the holders of the Convertible Notes.

## **Ranking of the Convertible Notes and the Convertible Shares**

The Convertible Notes shall, upon their issuance, constitute a direct, unconditional, secured and unsubordinated obligation of the Company and rank *pari passu* and without preference among themselves.

The Conversion Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

## **Redemption**

### *By Maturity*

On the Maturity Date, the Company shall redeem any principal amount of the Convertible Notes which remains outstanding and not previously redeemed or converted into Conversion Shares by paying to each Holder at 100% of the outstanding principal amount of the Convertible Notes held by such Holder, plus accrued interest.

### *By Purchase*

The Company or any of its subsidiaries may at any time and from time to time purchase the Convertible Notes at any price as agreed between the Company or such of its subsidiaries and the relevant Holder. Any purchase by tender shall be made available to all Holders alike.

### *Early Redemption by Company*

The Company shall be entitled at its sole discretion, by giving not less than 3 days notice (the “**Early Redemption Notice**”) to the Holders, to redeem all or part of the outstanding Convertible Notes at the principal amount of the outstanding Convertible Notes at any time after the Issue Date together with interest accrued to the date fixed for redemption as set out in the Early Redemption Notice. The Early Redemption Notice, once delivered shall be irrevocable unless the Holder consents to its withdrawal.

### *Occurrence of Event of Default*

If any of the event of default occurs, the Holder may give notice to the Company that the Convertible Notes are, and it shall on the giving of such notice immediately become, due and payable at its principal amount together with all accrued interest calculated up to and including the date of repayment and all other sums payable under the Convertible Notes.

Upon the redemption of the full outstanding principal amount of the Convertible Notes, the right of the Holders to convert the Convertible Notes shall be extinguished and released.

### **Conversion Rights**

The conversion rights attaching to the Convertible Notes shall only be exercisable so long as, among others, (i) it will not result in the Company's non-compliance with the minimum public shareholding requirement under the Listing Rules and/or other provisions of the Listing Rules; (ii) it does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Holder and any parties acting in concert with it (as defined under the Takeovers Code); and (iii) the Board shall have sufficient general mandate for issuing new Conversion Shares upon conversion of the Convertible Notes.

### **Security of the Convertible Notes**

As a Condition Precedent to the Completion and as security for the due and punctual payment of the Convertible Notes and performance by the Company of its obligations under or arising out of the Subscription Agreement and the Instrument, the Company will execute the Share Charges and each of Obligors will execute the Account Charge as a continuing security for payment and discharge of the outstanding principal amount of the Convertible Notes and performance by the Company pursuant to the Subscription Agreement.

### **Conversion Price**

The initial conversion price ("**Conversion Price**") of HK\$0.119 per Conversion Share represents:

- (1) same as the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (2) a premium of approximately 4.20% to the average closing price of HK\$0.1142 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately before the date of the Subscription Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and Subscribers with reference to, among others, the prevailing market price of the Shares and the price allowed under the Listing Rules.

## **Adjustment to Conversion Price**

The Conversion Price will be subject to adjustment in certain events as provided in the terms and conditions of the Convertible Notes and subject to the extent permitted under the General Mandate, a summary of which is set out below:

- (a) consolidation, subdivision or re-classification of Shares;
- (b) issues of Shares credited as fully paid up by way of capitalisation of profits or reserves by the Company;
- (c) distributions by the Company to its Shareholders;
- (d) rights issues of Shares or issues of options or issues of warrants to subscribe for Shares at less than 80% of the then market price per Share;
- (e) issues of any securities for cash which are convertible into or exchangeable for or carry rights of subscription for new Shares in each case at less than 80% of the then market price per Share;
- (f) issues of any Shares by the Company for cash at less than 80% of the then market price per Share; and
- (g) issues of Shares as consideration for acquisition of assets at less than 80% of the then market price per Share.

## **USE OF PROCEEDS**

The gross proceeds and the net proceeds from the issue of the Convertible Notes will be HK\$71,700,000. Therefore, the net issue price per Conversion Share is estimated to be approximately HK\$0.1185 based on the Conversion Price assuming the conversion of the Convertible Notes into the Conversion Shares in full. The Company intends to use the net proceeds as working capital of the Group.

## **EQUITY FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

## **EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY**

Assuming there is no further issue or repurchase of the Shares, based on the Conversion Price and assuming full conversion of the Convertible Notes at the Conversion Price, the Convertible Notes will be convertible up to the maximum of 605,042,016 Conversion Shares (comprising 344,873,949 Conversion Shares for Convertible Notes to be issued to Subscriber 1 and 260,168,067 Conversion Shares for Convertible Notes to be issued to Subscriber 2), representing approximately 19.7% of the issued share capital of the Company as at the date of this announcement and approximately 16.5% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.



The following table illustrates (i) the existing shareholding structure of the Company; and (ii) the shareholding structure immediately after the issue of the Convertible Notes and assuming full conversion of the Convertible Notes into Conversion Shares and no other changes in the issued share capital of the Company:

	<b>As at the date of this announcement</b>		<b>Immediately upon completion of the issuance of the Convertible Notes and assuming full conversion of the Convertible Notes into Conversion Shares</b>	
	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>
Chen Chengqing ( <i>Note</i> )	839,553,000	27.37%	839,553,000	22.86%
Subscriber 1	—	—	344,873,949	9.39%
Subscriber 2	—	—	260,168,067	7.08%
Other shareholders	<u>2,227,669,500</u>	<u>72.63%</u>	<u>2,227,669,500</u>	<u>60.67%</u>
Total	<u><u>3,067,222,500</u></u>	<u><u>100.00%</u></u>	<u><u>3,672,264,516</u></u>	<u><u>100.00%</u></u>

*Note:*

These shares are registered in the name of Cyber Success Global Investments Limited, which is wholly-owned by Mr. Chen Chengqing. Mr. Chen Chengqing is deemed to be interested in all the shares in which Cyber Success Global Investments Limited is interested by virtue of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Mr. Chen is also beneficially interested in 2,800,000 Shares.

## **GENERAL MANDATE TO ISSUE SHARES**

The Conversion Shares will be issued under the General Mandate and therefore no separate Shareholders' approval will be obtained. As at the date of this announcement, the Directors have not exercised the power to allot and issue any Shares pursuant to the General Mandate. Accordingly, as at the date of this announcement, the Company is entitled to issue up to 613,444,500 Shares pursuant to the General Mandate. The General Mandate will be utilised as to approximately 98.63% after allotment and issue of the 605,042,016 Conversion Shares in full at the initial Conversion Price.

## **APPLICATION FOR LISTING APPROVAL**

No listing of the Convertible Notes will be sought from the Stock Exchange or any other stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.



## **INFORMATION OF THE GROUP**

The Group is principally engaged in (i) pharmaceutical products business, which include development, manufacturing, marketing and sales of pharmaceutical products and sale of health care products; (ii) provision of finance leasing services; (iii) other general trading, which include trading of goods other than pharmaceutical products; and (iv) provision of genetic testing and molecular diagnostic services.

The Obligor 1 is the indirect wholly-owned subsidiary of the Company. The Obligor 1 is principally engaged in investment holding and the Obligor 2 is principally engaged in marketing and sales of pharmaceutical products.

## **INFORMATION OF THE SUBSCRIBERS**

The Subscribers are merchants.

## **REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE NOTES**

As set out in the section headed “Use of Proceeds” above, the Company intends to use the net proceeds as working capital of the Group, which is important for the Group to optimise its future operations.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription Agreement and the Convertible Notes (i) have been negotiated on an arm’s length basis; and (ii) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **GENERAL**

Shareholders and potential investors should note that Completion is subject to the fulfilment of the Conditions Precedent. As the issue of the Convertible Notes may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Shareholders and potential investors should exercise caution when dealing in the Shares or other securities of the Company.

## **DEFINITIONS**

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

“Account Charge”	the charge to be executed by the Obligor 1 in favour of the Subscribers over the bank accounts in the name of the Obligor 1 as security of the Convertible Notes
“Board”	the board of Directors

“Business Day”	a day on which banks in Hong Kong are open for general business, other than:  (i) a Saturday, a Sunday or a public holiday; or  (ii) a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon
“Company”	Sanai Health Industry Group Company Limited (Stock Code: 1889), a company incorporated in the Cayman Islands whose Shares are listed on the Stock Exchange
“Completion”	the completion of the issuance and subscription of the Convertible Notes, which shall take place on the Completion Date
“Completion Date”	the third Business Days after all the Conditions Precedent to the Subscription Agreement are fulfilled (or waived) or such other date as may be agreed by the Company and the Subscribers in writing
“Conversion Period”	the period from the day immediately following the Issue Date and up to 4 p.m. (Hong Kong time) on the Maturity Date
“Conversion Shares”	the Shares which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the Convertible Notes in the aggregate principal amount of HK\$72,000,000 to be issued by the Company to the Subscribers pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 5 January 2022, pursuant to which up to 613,444,500 new Shares may fall to be allotted and issued under such mandate
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holder”	a person in whose name a Convertible Note is registered in the register of holders of Convertible Notes (or in the case of joint holders, the first named thereof)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Instrument”	instrument constituting the Convertible Notes which contains the terms and conditions of the Convertible Notes
“Issue Date”	the date on which the Convertible Notes are issued, which shall be the Completion Date
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Obligor 1”	Fujian Sanai Biotechnology Limited* (福建三愛生物科技股份有限公司), a company established in the People’s Republic of China with limited liability and an indirect wholly-owned subsidiary of the Company
“Obligor 2”	Fujian Zhixin Medicine Co., Limited* (福建至信醫藥有限公司), a company established in the People’s Republic of China with limited liability and an indirect wholly-owned subsidiary of the Company
“Obligors”	collectively, Obligor 1 and Obligor 2
“SFC”	Securities and Futures Commission in Hong Kong
“Share(s)”	fully paid ordinary shares in the share capital of the Company with a nominal value of HK\$0.01 each, or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares
“Share Charges”	the charges in respect of 57% and 43% of the entire issued share capital of Sanai International Investment Company Limited, a direct wholly-owned subsidiary of the Company, to be executed by the Company in favour of the Subscriber 1 and Subscriber 2 respectively as security of the Convertible Notes
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber 1”	Mr. Zhi Shao Huan (支紹環), being an individual and a merchant
“Subscriber 2”	Mr. Jiang Heng Guang (蔣恒光), being an individual and a merchant
“Subscribers”	collectively, Subscriber 1 and Subscriber 2
“Subscription Agreement”	the subscription agreement dated 13 January 2022 and entered into among the Company, the Obligors and the Subscribers relating to the subscription of the Convertible Notes
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers and Share Buybacks published by the SFC

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

Hong Kong, 13 January 2022

*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.*