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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 2022

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 2022 (the "**Current Period**"), together with the comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	5	**56,080**	28,007
Cost of sales and services rendered		**(19,474)**	(11,097)
Gross profit		**36,606**	16,910
Other income and other gain, net		**36**	111
Distribution costs		**(534)**	(472)
Administrative and other expenses		**(12,691)**	(4,184)
Finance costs	6	**(696)**	–
Profit before income tax		**22,721**	12,365
Income tax expenses	7	**(8,180)**	(3,530)
Profit for the period	6	**14,541**	8,835
Profit for the period attributable to:			
Owners of the Company		**8,069**	6,277
Non-controlling interests		**6,472**	2,558
		14,541	8,835
Earnings per share			
Basic (RMB cents)	9	**0.26**	0.20
Diluted (RMB cents)	9	**0.26**	0.20

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**14,541**	8,835
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(2,066)**	(1,178)
Total comprehensive income for the period	**12,475**	7,657
Attributable to:		
— Owners of the Company	**6,003**	5,099
— Non-controlling interests	**6,472**	2,558
	12,475	7,657

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	**30 June 2022 RMB'000 (Unaudited)**	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,236**	8,854
Right-of-use assets		**4,338**	4,403
Intangible assets		**5,401**	6,383
Finance lease receivables		**–**	102,730
		17,975	122,370
CURRENT ASSETS			
Inventories		**1,921**	3,654
Trade and other receivables	*10*	**84,838**	55,498
Tax recoverable		**89**	97
Finance lease receivables		**211,611**	112,820
Financial assets at FVPL		**524**	501
Cash and cash equivalents		**88,625**	16,297
		387,608	188,867
CURRENT LIABILITIES			
Trade and other payables	*11*	**85,859**	79,516
Tax payables		**14,886**	10,579
Convertible notes designated as financial liabilities at FVPL	*12*	**62,104**	–
		162,849	90,095
NET CURRENT ASSETS		**224,759**	98,772
TOTAL ASSETS LESS CURRENT LIABILITIES		**242,734**	221,142
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,346**	1,591
NET ASSETS		**241,388**	219,551
CAPITAL AND RESERVES			
Share capital	*13*	**28,601**	28,601
Reserves		**185,835**	170,470
Equity attributable to owners of the Company		**214,436**	199,071
Non-controlling interests		**26,952**	20,480
TOTAL EQUITY		**241,388**	219,551

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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.

The Company is an investment holding company. The Company and its subsidiaries are collectively referred to as "the Group". The principal activities of the Group are the development, manufacturing, marketing and sales of pharmaceutical products, other general trading (ceased in 2021), provision of finance leasing services and provision of genetic testing and molecular diagnostic services.

The unaudited condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and all amounts have been rounded to nearest thousand, unless otherwises stated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements have been prepared on historical basis except for financial assets at fair value through profit or loss ("FVPL") and convertible notes designated as financial liabilities at FVPL which are stated at fair value.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2021 annual audited financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual audited financial statements for the year ended 31 December 2021.

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 2022. HKFRSs comprise all applicable individual HKFRSs, HKAS and Interpretations issued by the HKICPA. 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 and prior reporting periods.

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

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 (ceased in 2021); 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 2022 and 2021 is set out below:

For the six months ended 30 June 2022 (Unaudited)

	Pharmaceutical products	**Finance leasing**	**Other general trading**	**Genetic testing and molecular diagnostic services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment revenue from external customers	**46,758**	**6,502**	**–**	**2,820**	**56,080**
Reportable segment profit	**25,588**	**5,859**	**–**	**1,092**	**32,539**

For the six months ended 30 June 2021 (Unaudited)

	Pharmaceutical products	Finance leasing	Other general trading	Genetic testing and molecular diagnostic services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue from external customers	16,112	7,002	2,306	2,587	28,007
Reportable segment profit/(loss)	7,288	6,687	(111)	500	14,364

There are no inter-segment sales for the six-month periods ended 30 June 2022 and 2021.

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

(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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong	**2,820**	2,587
The People's Republic of China (the "PRC")	**53,260**	25,420
Total	**56,080**	28,007

(ii) Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Total reportable segment profit derived from the Group's external customers	**32,539**	14,364
Other income and other gain, net	**36**	111
Unallocated head office and corporate expenses		
— staff cost (including director's emoluments)	**(1,316)**	(953)
— equity-settled share-based payment expenses	**(9,362)**	–
— change in fair value of convertible notes designated as financial liabilities at FVPL	**(600)**	–
— exchange gain	**4,957**	837
— others	**(2,837)**	(1,994)
— finance costs	**(696)**	–
Consolidated profit before income tax for the period	**22,721**	12,365

The following table presents segment assets and segment liabilities of the Group's operating segments at 30 June 2022 and 31 December 2021:

At 30 June 2022 (Unaudited)

	Pharmaceutical products *RMB'000*	**Finance leasing** *RMB'000*	**Genetic testing and molecular diagnostic services** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**104,353**	**225,194**	**5,758**	**335,305**
Reportable segment liabilities	**(63,744)**	**(9,736)**	**(4,057)**	**(77,537)**

At 31 December 2021 (Audited)

	Pharmaceutical products *RMB'000*	Finance leasing *RMB'000*	Genetic testing and molecular diagnostic services *RMB'000*	Total *RMB'000*
Reportable segment assets	75,489	216,441	1,744	293,674
Reportable segment liabilities	(46,726)	(9,792)	(3,101)	(59,619)

Segment assets include all tangible, intangible assets and current assets with the exception of financial assets at FVPL, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments.

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

5. REVENUE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of goods		
— Pharmaceutical products	**46,758**	16,112
— Other goods for general trading	**–**	2,306
Provision of genetic services and molecular diagnostic services	**2,820**	2,587
	49,578	21,005
Revenue from other sources		
Finance leasing interest income	**6,502**	7,002
	56,080	28,007

The revenue from contracts with customers of the Group during the six months ended 30 June 2022 and 2021 are recognised at a point in time within HKFRS 15.

6. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
Interest expenses on convertible notes	**696**	–
Other items		
Depreciation of property, plant and equipment	**486**	450
Amortisation of intangible assets	**985**	985
Loss on financial assets at FVPL	**–**	7
Change in fair value of convertible notes designated as financial liabilities at FVPL *(Note 12)*	**600**	–
Expenses related to short-term leases	**146**	135
Equity-settled share-based payment expenses *(Note 14)*	**9,362**	–
Cost of inventories	**16,858**	8,647

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	**8,425**	3,775
Deferred taxation	**(245)**	(245)
	8,180	3,530

For the PRC subsidiaries of the Group, PRC EIT is calculated at 25% in accordance with the relevant laws and regulations in the PRC for the six months ended 30 June 2022 and 2021.

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2022 and 2021. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 and 2021 as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2022 and 2021.

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 2022 and 2021.

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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings attributable to the owners of the Company used in calculating basic earnings per share	**8,069**	6,277
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,067,223**	3,067,223
Basic earnings per share (in RMB cents per share)	**0.26**	0.20

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 June 2022 and 2021.

For the six months ended 30 June 2022, the computation of diluted earnings per share did not assume the conversion of all outstanding convertible notes issued by the Company and the exercise of the outstanding share options since the assumed conversion would result in increase in earnings per share and the exercise price per share option was higher than the average share price of the Company for the period, respectively.

For the six months ended 30 June 2021, the computation of diluted earnings per share did not assume the exercise of the outstanding share options since the exercise price per share option was higher than the average share price of the Company for the period.

The diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2022 and 2021.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables (net of loss allowance)	**70,632**	34,490
Other receivables	**9,795**	6,727
Amount due from a related company	**2**	2
Prepayments and deposits	**3,034**	12,964
Other PRC tax receivables	**1,375**	1,315
	84,838	55,498

The Group normally grants credit terms of 30 to 180 days (31 December 2021: 30 to 180 days) to its customers. Included in trade and other receivables are trade receivables (net of loss allowance) of approximately RMB70,632,000 (31 December 2021: approximately RMB34,490,000) and their ageing analysis at the end of the reporting period, presented based on the invoice date and net of loss allowance is as follows:

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**28,315**	6,466
31 to 60 days	**12,763**	3,688
61 to 90 days	**8,372**	3,079
91 to 120 days	**4,520**	4,982
121 to 365 days	**16,362**	15,609
Over 365 days	**300**	666
	70,632	34,490

11. TRADE AND OTHER PAYABLES

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**25,335**	12,627
Payroll and welfare payables	**3,208**	2,913
Accrued expenses	**3,847**	4,093
Other payables	**49,911**	50,938
Other PRC tax payables	**1,908**	2,724
Contract liabilities	**523**	421
Deposits received	**409**	5,800
Accrued interest expenses on convertible notes	**718**	–
	85,859	79,516

Included in trade and other payables are trade payables of approximately RMB25,335,000 (31 December 2021: approximately RMB12,627,000) and their ageing analysis of trade payables, presented based on the invoice date is as follows:

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**6,220**	140
31 to 60 days	**6,328**	5,916
61 to 90 days	**4,847**	902
91 to 120 days	**3,176**	2,486
121 to 365 days	**2,586**	591
Over 365 days	**2,178**	2,592
	25,335	12,627

12. CONVERTIBLE NOTES

On 13 January 2022, the Company, Fujian Sanai Biotechnology Limited* (福建三愛生物科技有限公司) and Fujian Zhixin Medicine Co., Limited* (福建至信醫藥有限公司), both being indirect wholly-owned subsidiaries of the Company (as obligors) and two independent third parties being Mr. Zhi Shao Huan (支紹環) and Mr. Jiang Heng Guang (蔣恒光) (as subscribers) entered into the subscription agreement, pursuant to which, on the terms and subject to the condition 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 (equivalent to approximately RMB61,486,000) at the conversion price of HK$0.119 per share (subject to adjustment).

Convertible notes with coupon interest rate of 3% per annum payable semi-annually in arrears will be matured on the first anniversary of the issue date.

On 9 February 2022, convertible notes with an aggregate principal amount of HK$72,000,000 (equivalent to approximately RMB61,486,000) was successfully issued.

Details of above have been disclosed in the Company's announcements dated 13 January 2022, 26 January 2022, 31 January 2022 and 9 February 2022.

The convertible notes were recognised as financial liabilities designated upon initial recognition at FVPL.

	Convertible notes *RMB'000* (Unaudited)
Issue of convertible notes	61,486
Change in fair value charged to profit or loss	600
Exchange realignment	18
Carrying amount at 30 June 2022	62,104

The fair value of the convertible notes is equal to the summation of the fair value of the liability component and conversion option component, calculated by using discounted cash flows and Binomial Option Pricing Model, respectively.

The fair value of the convertible notes at issue date and at 30 June 2022 were determined with reference to a professional valuation conducted by an independent professional valuer and were categorised into the level 3 fair value hierarchy as defined in HKFRS 13.

Major parameters adopted in the calculation of the fair values of the convertible notes at issue date and at 30 June 2022 are summarised below:

	At issue date (Unaudited)	**At 30 June 2022 (Unaudited)**
Share price	HK$0.083	HK$0.091
Share price volatility	100.21%	133.13%
Risk-free interest rate	0.41%	2.18%
Dividend yield	0.00%	0.00%
Discount rate	2.85%	4.78%
Period	1 year	0.65 year

The significant unobservable input used in the fair value measurement of the convertible notes at 30 June 2022 is expected share price volatility. The fair value measurement is positively correlated to the expected share price volatility. An increase in the expected share price volatility, with all other variables held constant, would result in increase in fair value of the convertible notes at 30 June 2022 and decrease in the Group's profit for the six months ended 30 June 2022.

The reconciliation of level 3 fair value measurements of the convertible notes is set out above.

13. SHARE CAPITAL

	Number of ordinary shares ('000)	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2021 (Audited), 30 June 2021 (Unaudited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	10,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2021 (Audited), 30 June 2021 (Unaudited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	3,067,223	30,672

	RMB'000
Shown in the condensed consolidated financial statements at 1 January 2021 (Audited), 30 June 2021 (Unaudited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	28,601

14. SHARE OPTION SCHEMES

On 29 April 2022, the Company granted a total of 174,000,000 share options at an exercise price of HK$0.084 per share of the Company to certain eligible participants (the "Grantees"), of which 73,000,000 share options were granted to the executive and non-executive directors of the Company, pursuant to the share option scheme of the Company adopted on 16 June 2017.

The fair value of share options granted to the Grantees on 29 April 2022 are approximately HK$0.065 per option, which are calculated using a Binomial Option Pricing Model by an independent professional valuer with the following key inputs:

	At grant date (unaudited)
Share price	HK$0.078
Exercise price	HK$0.084
Expected volatility	83.70%
Risk-free rate	2.82%
Dividend yield	0.00%

During the six months ended 30 June 2022, with reference to the fair value of the share options granted, the Group recognised approximately RMB9,362,000 (six months ended 30 June 2021: Nil) as equity-settled share-based payment expenses.

Details of the Company's share option scheme and movement of the Company's share options during the six months ended 30 June 2022 are disclosed in section headed "Share Option Scheme" of this announcement.

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 months ended 30 June 2022 and 2021, are set out as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**770**	840
Equity-settled share-based payment expenses	**3,928**	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Current Period, the Group was principally engaged in three businesses: (i) pharmaceutical products business; (ii) finance leasing business; and (iii) genetic testing and molecular diagnostic services. The three 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 use its best endeavour 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 positioning from time to time. Particularly, the Group currently plans to enhance its sales and promotional strategies so as to strengthen its market penetration. Further, the Group will continue to expand its sales team to explore the traditional medicine market by introducing sales via drugstore chains and other channels. The Group will try its best endeavour to 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 also can 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 increased significantly by approximately 190.3% to approximately RMB46.76 million (2021 interim: approximately RMB16.11 million). The increase in revenue was mainly due to the success in the Company's sales strategy to focus on sales of self-manufactured products through committed distributors with more extensive geographical coverage in the PRC. Correspondingly, the profit derived from the pharmaceutical products business has increased to RMB25.59 million for the Current Period, representing an increase of approximately 251.1% as compared to the corresponding period in 2021.

Finance Leasing Business

Zhonghuixin Finance Lease (Shenzhen) Co., Ltd.* (中匯鑫融資租賃(深圳)有限公司), being an indirect wholly-owned subsidiary of the Company, has been engaged in finance leasing business since 2021. The revenue derived from finance leasing business of the Group for the Current Period was approximately RMB6.50 million (2021 interim: RMB7.00 million). The slight decrease was mainly attributable to the fact that the Company has received some non-recurring penalty interest income in the same period in 2021 while no such penalty interest was received during the Current Period.

Our finance leasing business mainly aims at providing financial leasing services of medical devices and rehabilitation equipment which are complimentary to the Group's existing pharmaceutical products business. The business nature of the lessees of our current finance leases were generally in medical industry, pharmaceutical industry and public infrastructure industry. However, our finance leasing services would not be limited to any particular business nature of a client. Further, the products manufactured by the leased medical devices and rehabilitation equipment are independent to the business of the Group. The Group also does not eliminate the possibility of providing financial leasing services for other types of devices and equipments. The potential lessee will first approach Zhonghuixin to confirm whether the equipment or devices fall within the scope in which financing can be provided. The management of Zhonghuixin will conduct site visits and carry out due diligence on the potential lessee, the equipment or devices, assess the risks of the potential lease and followed by seeking the initial approval from the Group. The Group will further review, inter alia, the credit quality of the potential lessee, the purpose and value of the subject assets, the financial conditions of the potential lessee, the ultimate beneficial owner(s) of the potential lessee, the availability of guarantee and other relevant factors to assess the repayment capability of the potential lessee. If the Group approves the transaction in principle, the management of Zhonghuixin will further negotiate with the lessee on the terms of the transaction which include, inter alia, the lease terms, the interest rate, the option to purchase the equipment or device upon expiry of the lease term, etc. The Group will further check and seek professional advice on the compliance requirements and the Group will comply with the applicable Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") requirements including making timely disclosures and seeking Shareholder's approval if necessary.

The Group have set up several departments (business department, risk department, finance department and review committee) to effect division of work (approval, release and review of the lease). The Group also has established lease approval procedures, internal guidelines and prepares standard forms for the finance lease business including the due diligence report on the lessees, lease approval checklist and lease evaluation checklists. Further, we set up pre-lease and post lease administrative measures for various departments of Zhonghuixin to follow including the administration of guarantees and assets charges, administration of overdue payment, treatment of leased assets and post lease agreement follow ups.

The Board will be responsible for the final approval of material finance lease agreements and assign one of the executive Directors to liaise with Zhonghuixin and directly monitors the finance lease projects with the responsible staff of Zhonghuixin, including the review of the due diligence report on the lessees, drafting of the lease documents, examination of the leased assets and registration of the charges thereto (if necessary), evaluation of the guarantors, collection of the rental income, review of the risks and portfolio of the finance leases and regular site visits and reviews of the lessees.

The Group also regularly monitors its working capital ratio, quick ratio and other relevant financial ratios in order to drive its finance leasing business forward as well as to balance the risk and return of the Group and its sustainability.

The Group has contracted several new finance leasing agreements in the aggregate principal amount of RMB225.5 million with interest rates ranging from 4.75%–7.0% per annum during the year 2021. The Company will continue to further diversify its finance leasing business with a cautious approach in order to maximise the long-term interests of the shareholders.

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, or other types of devices and equipments, if feasible.

Genetic Testing and Molecular Diagnostic Services

Zentrogene Bioscience Laboratory Limited ("**Zentrogene**"), being an indirect wholly-owned subsidiary of the Company, is primarily engaged 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 RMB2.82 million (2021 interim: RMB2.59 million), representing an increase of approximately 8.9%, which remains relatively stable as compared to the corresponding period in 2021.

OUTLOOK

Looking forward to the second half of 2022, with the steady and gentle weakening of the COVID-19 pandemic influence, sustaining economic growth will become one of the key tone of macroeconomic policies. The Group will evaluate the policies and proactively adapt to the changes, consolidate and enhance its competitive advantages. However, the Group expects the Group's businesses will continue to face numerous challenges. Looking ahead, the Group will continue to rigorously implement our cost control measures, maintain a flexible and prudent approach and allocate resources in an appropriate manner to strengthen its revenue base and optimise its business and financial performance.

For pharmaceutical products, the Group expects to achieve a gradual revenue growth for the pharmaceutical products business due to the sales of self-manufactured products with high margin. The Group will continue to expand its sales networks in order to enhance its market penetration rate.

For finance leasing business, the Group expects the finance leasing market to remain stable. The Group will closely follow the development of the finance leasing market as well as the trend of the interest rates while remain flexible in adjusting and optimizing its overall risk appetite and the investment portfolios.

Meanwhile, the Group will closely monitor the situation of the pandemic and strictly implement safety precautionary measures related to the COVID-19 pandemic, putting the safety and health of workers, their families and the community as top priority.

The Group will continue to closely monitor market developments, seek potential opportunities in existing business segments, explore and expand into other industries or geographical regions at the appropriate time and enhance the Group's future development. The Group believes that the diversification of its business will facilitate the Group's long-term development and business sustainability and provide better returns for its shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group generated a total revenue of approximately RMB56.08 million, representing an increase of approximately 100.2% as compared to approximately RMB28.01 million in the corresponding period in 2021. The increase was primarily attributed to the increase in the sales of self-manufactured pharmaceutical products with higher margin.

Distribution Costs

For the six months ended 30 June 2022, the distribution costs of the Group were approximately RMB0.53 million (2021 interim: approximately RMB0.47 million), representing an increase of approximately 12.8%.

Administrative Expenses

Administrative expenses amounted to approximately RMB12.69 million for the six months ended 30 June 2022 (2021 interim: approximately RMB4.18 million), representing an increase of approximately 203.6%. The significant increase was mainly attributable to the share-based payments of approximately RMB9.36 million incurred as a result of share options granted by the Company in April 2022.

Gross Profit and Gross Profit Margin

Gross profit and gross profit margin for the six months ended 30 June 2022 amounted to approximately RMB36.61 million and 65.3% respectively (2021 interim: approximately RMB16.91 million and 60.4% respectively). Gross profit increased by RMB19.7 million when compared with the corresponding period in 2021 which was mainly attributable to the significant increase in sales of self-manufactured pharmaceutical products in the Current Period.

Finance Costs

Finance costs for the six months ended 30 June 2022 amounted to approximately RMB0.70 million (2021 interim: nil). The finance costs represented the interest expenses attributable to the convertible notes issued by the Company on 9 February 2022.

Profit for the Current Period

Profit attributable to owners of the Company was approximately RMB8.07 million for the six months ended 30 June 2022, representing an increase of approximately 28.50% as compared with the profit of approximately RMB6.28 million in the corresponding period in 2021. The increase was mainly attributable to the increase in sales of self-manufactured pharmaceutical products with higher margin.

Basic and Diluted Earnings per Share

The basic and diluted earnings per shares for the six months ended 30 June 2022 was approximately RMB0.26 cents (2021 interim: approximately RMB0.20 cents).

Liquidity and Financial Resources

As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB88.63 million (as at 31 December 2021: approximately RMB16.30 million) and most cash and cash equivalents were denominated in Renminbi and Hong Kong dollars.

Capital Structure and Gearing Ratio

As at 30 June 2022, the total number of issued shares of the Company was 3,067,222,500 shares (as at 31 December 2021: 3,067,222,500 shares).

As at 30 June 2022, the share capital and equity attributable to owners of the Company amounted to approximately RMB28.60 million and approximately RMB214.44 million respectively (as at 31 December 2021: approximately RMB28.60 million and approximately RMB199.07 million, respectively).

The Group has reviewed the capital structure by using gearing ratio. The gearing ratio represents the total debt, which includes trade and other payables and convertible notes of the Group, divided by total equity of the Group. The gearing ratio of the Group was approximately 61.30% as at 30 June 2022 (as at 31 December 2021: approximately 36.22%).

Exposure to Fluctuation in Exchange Rates

During the Current Period, 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. Therefore, the Group was not exposed to any material interest and foreign exchange risks during the Current Period. As at 30 June 2022, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. The management, however, will monitor and consider hedging foreign currency exposure should the need arise.

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 2022, the Group employed approximately 64 employees (2021 interim: 62 employees) with a total staff cost of approximately RMB2.63 million (2021 interim: approximately RMB2.39 million). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for each position. The Group determined staff remuneration with reference to the prevailing market salary scales, individual qualifications and performance. Remuneration packages including salaries, contribution to pension schemes performance bonuses and entitlements to share options, are reviewed on a regular basis.

CAPITAL EXPENDITURE

During the six months ended 30 June 2022, the Group had no significant capital expenditure for property, plant and equipment.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022, the Group has charged (i) the bank accounts of the indirect wholly-owned subsidiaries, Fujian Sanai Biotechnology Limited* (福建三愛生物科技有限公司) ("**Fujian Sanai**") and Fujian Zhixin Medicine Co., Limited* (福建至信醫藥有限公司) ("**Fujian Zhixin**"), and (ii) the entire issued share capital of Sanai International Investment Company Limited, a direct wholly-owned subsidiary of the Company, as security for the convertible notes issued by the Group in February 2022.

ISSUE OF CONVERTIBLE NOTES

On 13 January 2022, the Company as the issuer, Mr. Zhi Shao Huan ("**Mr. Zhi**") and Mr. Jiang Heng Guang ("**Mr. Jiang**") as the subscribers, and Fujian Sanai and Fujian Zhixin as the obligors, entered into a subscription agreement, pursuant to which, the Company has agreed to issue, and Mr. Zhi and Mr. Jiang have agreed to subscribe for, the convertible notes in the aggregate principal amount of HK$72,000,000 at the interest rate of 3% per annum and at initial conversion price of HK$0.119 per share. The bank accounts of Fujian Sanai and Fujian Zhixin were charged as security of the convertible notes, and the entire issued share capital of Sanai International Investment Company Limited, a direct wholly-owned subsidiary of the Company was charged in favour of Mr. Zhi and Mr. Jiang. Completion of the issue of convertible notes took place on 9 February 2022.

Assuming full conversion of the convertible notes at the conversion price, the convertible notes will be convertible into 605,042,016 conversion shares, representing approximately 19.73% of the issued share capital of the Company at the date of the subscription agreement 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 (based on the issued share capital as at the date of the subscription agreement). The conversion shares will be allotted and issued pursuant to the general mandate upon conversion of the convertible notes.

The Company intends to use approximately 45% of the net proceeds from the issue of the convertible notes for the purchase of production plant, equipment and facilities and the purchase of raw materials for pharmaceutical products, approximately 30% of the net proceeds for the enrichment of the pharmaceutical product base, including the development of new medicines and/or the acquisition of the drug licenses, and approximately 25% of the net proceeds will be used for the addition for sales points and the staff costs of additional sales staffs.

As at 30 June 2022, none of the net proceeds have been utilised.

Further details of the issuance of convertible notes are set out in the announcements of the Company dated 13 January 2022, 26 January 2022, 31 January 2022 and 9 February 2022, respectively.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities (30 June 2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS, ACQUISITIONS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments, acquisitions and capital assets during the Current Period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021 interim: Nil).

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Old Share Option Scheme**") for, among others, the senior management and employees on 8 January 2007, which serve as incentives or rewards to attract, retain and motivate staff. The Old Share Option Scheme was expired on 7 January 2017.

Pursuant to the ordinary resolution passed on 16 June 2017, the Company has adopted another share option scheme (the "**New Share Option Scheme**") for, among others, the senior management and employees, which serves as incentives or rewards to attract, retain and motivate staff. The New Share Option Scheme will remain valid for a period of 10 years commencing on 21 June 2017. Under the New Share Option Scheme, the Board may grant options to all full-time employees, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, substantial shareholders of each member of the Group, associates of the directors and substantial shareholders of any member of the Group, trustee of any trust pre-approved by the Board, and any advisor (professional or otherwise) or consultant, distributor, supplier, agent, customer, joint venture partner, service provider of the Group whom the Board considers, at its sole discretion, has contributed or contributes to the Group.

Pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 5 January 2022, the scheme mandate limits of the New Share Option Scheme were refreshed and renewed. The said refreshed scheme mandate limits were solely used to grant options to the category (i) as set out in the definitions of the eligible participants (i.e. all full-time employees, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above of the Group) under the New Share Option Scheme as incentives or rewards for their continuous contributions and loyalty to the Group. On 29 April 2022, 174,000,000 share options were granted by the Company to certain eligible persons under the New Share Option Scheme including 5 Directors at the exercise price of HK$0.084 per share. Further details of the said share options granted are set out in the announcement of the Company dated 29 April 2022.

The following table sets out the movements in the share options of the Company (the "**Share Options**") during the Current Period:

Category of participant	At 1 January 2022 *HK$*	Number of Share Options: Granted during the period	Cancelled or lapsed during the period	Exercise during the period	At 30 June 2022 *HK$*	Date of grant	Exercise period	Exercise price	Closing price of the shares immediately before the date of grant
Directors									
Professor Zhang Rongqing	22,000,000	–	–	–	22,000,000	24 May 2018	24 May 2018 to 23 May 2023	0.32	0.32
Mr. Chen Chengqing	2,800,000	–	–	–	2,800,000	30 May 2018	30 May 2018 to 29 May 2023	0.335	0.335
Mr. Gao Borui	–	5,000,000	–	–	5,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
Mr. Yuan Chaoyang	–	30,000,000	–	–	30,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
Mr. She Hao	–	22,000,000	–	–	22,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
Professor Zhang Rongqing	–	6,000,000	–	–	6,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
Mr. Xiu Yuan	–	10,000,000	–	–	10,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
	24,800,000	73,000,000	–	–	97,800,000				
Other participant									
Employees in aggregate	10,000,000	–	–	–	10,000,000	30 May 2018	30 May 2018 to 29 May 2023	0.335	0.335
Non-employees in aggregate	2,000,000	–	–	–	2,000,000	30 May 2018	30 May 2018 to 29 May 2023	0.335	0.335
Employees in aggregate	–	101,000,000	–	–	101,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
	36,800,000	174,000,000	–	–	210,800,000				

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

LITIGATION

The Company has received a judgement (the "**Judgement**") dated 22 December 2020 issued by 北京市第四中級人民法院 (the No. 4 Intermediate People's Court of Beijing*) (the "**Court**") in relation to a civil litigation (the "**Litigation**") brought by 北京市文化科技融資租賃股份有限公司 (Beijing Cultural Technology Finance Lease Company Limited*, the "**Plaintiff**") against, among others, (a) the Company; (b) 福建三愛藥業有限公司 Fujian Sanai Pharmaceutical Company Limited ("**Fujian Sanai Pharmaceutical**"), the disposal of which was completed in April 2019; (c) Lin Ouwen, a former executive Director; and (d) Lin Min, a former executive Director.

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

As such, the Plaintiff demanded, among others, that (i) Fujian Sanai Pharmaceutical immediately pay to the Plaintiff the unpaid due rent in the amount of RMB33,855,032.69 with the default interest accrued thereon, undue rent in the amount of RMB47,592,982.21, default payment in the amount of RMB4,759,298.22 (being 10% of the undue rent), the legal fees in the amount of RMB800,000, the retention purchase price of RMB100 and the cost incurred in relation to the Litigation; and (ii) the Company, Lin Ouwen and Lin Min be jointly liable for the debts owed by Fujian Sanai Pharmaceutical under the Finance Lease Agreement 2016.

The Plaintiff also submitted to the Court a copy of the alleged minutes of the Board meeting held on 22 March 2016 which contained resolutions approving, inter alia, the provision of the Guarantee by the Company. However, only two of the then Directors, Lin Ouwen and Lin Qingping, were recorded to have attended and voted on the said resolutions.

Pursuant to the Judgement, among other things, Fujian Sanai Pharmaceutical shall, within ten days of the Judgement, pay to the Plaintiff the unpaid due rent under the Finance Lease Agreement 2016 in the amount of RMB33,855,032.69 with the default interest accrued thereon, the accelerated due rent under the Finance Lease Agreement 2016 in the amount of RMB47,592,982.21, the default payment in the amount of RMB4,759,298.22, the retention purchase price of RMB100, the legal fees in the amount of RMB800,000, the announcement fees in the amount of RMB2,650, the preservation insurance fees in the amount of RMB175,636.06 and the preservation fees in the amount of RMB5,000 (collectively the "**Litigation Amount**"); and the Company, Lin Ouwen and Lin Min shall be jointly liable for the Litigation Amount, and they are entitled to claim against Fujian Sanai Pharmaceutical after discharging of such joint liabilities.

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

Pursuant to the Appeal, the Company has pleaded to 北京市高級人民法院 (the Higher People's Court of Beijing*) to rule that the Finance Lease Agreement 2016 and the Guarantee were invalid, and to reject all of the Plaintiff's claims.

As at the date of this announcement, the Company is still awaiting the hearing date from the 北京市高級人民法院 (the Higher People's Court of Beijing*) since the Appeal was lodged.

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

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

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

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

In order to conform to the Core Standards for shareholder protection as set out in the amended Appendix 3 to the Listing Rules which became effective on 1 January 2022, the Board resolved on 29 April 2022 to propose to make amendments (the "**Proposed Amendments**") to certain provisions/articles in the memorandum and articles of association of the Company. The special resolution approving the Proposed Amendments and the second amended and restated memorandum and articles of association were passed at the annual general meeting on 8 June 2022.

For details, please refer to the announcements of the Company dated 29 April 2022 and 8 June 2022 and the circular of the Company dated 29 April 2022.

EVENTS AFTER THE CURRENT PERIOD

Save as disclosed elsewhere in this announcement, there was no important event occured after the end of the Current Period up to the date of this announcement.

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 2022, except for certain deviations disclosed below:

In respect of the code provision C.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 the 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 appropriate adjustments should suitable circumstances arise.

Pursuant to code provision C.1.6 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Our non-executive Director, Mr. Xiu Yuan was unable to attend the annual general meeting of the Company held on 8 June 2022 due to other commitments.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes of information of the Directors subsequent to the date of the Company's 2021 Annual Report are set out below:

On 17 June 2022, Mr. Chen Chengqing ("**Mr. Chen**") has resigned as (i) the chairman of the Board; (ii) one of the authorised representatives of the Company (the "**Authorised Representative**") (for the purpose of Rule 3.05 of the Listing Rules); (iii) the chairman of the nomination committee (the "**Nomination Committee**") of the Company; and (iv) the member of the remuneration committee of the Company. Mr. She Hao, an executive Director, has been appointed as the Authorised Representative, and Mr. Zhang Ruigen, an independent non-executive Director, has been appointed as the chairman of the Nomination Committee, with effect from 17 June 2022.

Further details were disclosed in the announcement of the Company dated 17 June 2022.

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 set out in the Model Code and its code of conduct regarding Directors' securities transactions 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 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 condensed consolidated 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 2022 interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.1889hk.com) and the 2022 interim report of the Company containing all information required by Appendix 16 to the Listing Rules 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.

By order of the Board
Sanai Health Industry Group Company Limited
SHE Hao
Executive Director

Hong Kong, 31 August 2022

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Chen Chengqing, 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*