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)

DISCLOSEABLE TRANSACTION INVOLVING THE DISPOSAL OF SALE SHARES IN THE TARGET COMPANY

THE AGREEMENT

The Board is pleased to announce that on 17 April 2024 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser in relation to the Disposal, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares for a consideration of HK$22 million, which shall be settled by cash.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Disposal are more than 5% but all are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. The Disposal is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 17 April 2024 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser in relation to the Disposal, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares for a consideration of HK$22 million, which shall be settled by cash.

The principal terms of the Agreement are summarized below.

THE AGREEMENT

Date:	17 April 2024 (after trading hours of the Stock Exchange)		
Parties:	(1)	Vendor:	Sanai International Investment Company Limited, a wholly-owned subsidiary of the Company;
	(2)	Purchaser:	Merit Investment Holding Limited

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Subject of the Disposal

Pursuant to the Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, representing 59% of the entire issued share capital of the Target Company. Immediately before Completion, the Vendor is the legal and beneficial owner of the Sale Shares.

Consideration

The Consideration payable for the sale and purchase of the Sale Shares shall be HK$22 million, which shall be settled by cash upon Completion.

The Consideration for the Disposal was determined after arms' length negotiations between the Purchaser and the Vendor with reference to, among others, (i) the business development opportunity and prospects of the Target Company; (ii) the current financial status of the Target Company; and (iii) the valuation (the "**Valuation**") as set out in the valuation report as at 31 December 2023 as assessed by CHFT Advisory and Appraisal Ltd., an independent valuer (the "**Valuer**"), whose scope of works mainly included carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis, investigating into the information of the Target Company made available to it, designed an appropriate valuation model to analyze the market data and derived the estimated market value of the Target Company. For details of the Valuation, please refer to the paragraph headed "VALUATION" of this announcement.

Condition Precedent

Completion of the Agreement is conditional upon the compliance by the Company of all requirements under the Listing Rules or other regulatory authorities for entering into of the Agreement and the transactions contemplated thereunder.

Completion

Completion shall take place on the Completion Date after the fulfilment of the condition precedent under the Agreement or on such other date as may be agreed between the Vendor and the Purchaser.

VALUATION

According to the Valuation made by the Valuer in respect of the Sale Shares, the market value of the Sale Shares as at 31 December 2023 was HK$21,386,182.

Valuation methodology

In preparing the Valuation, the cost approach is not considered applicable as it fails to capture future earnings potential of the Target Company. The income approach is also not adopted as various projected inputs, including but not limited to the contract terms and operating costs, have to be made, which cannot be easily justified or ascertained.

As advised by the management of the Group, the Target Company is expected to sustain its existing business operations in the foreseeable future. Besides, there are sufficient public comparable companies reliably available for the Valuer to benchmark the value of the Target Company. Therefore, the Valuer considered that market approach is the most appropriate approach for valuing the Target Company.

Assumptions

The assumptions of the Valuation included, but were not limited to the following:

1. the genetic testing and molecular biological diagnosis market will be stable;

2. the environmental policies set by the government that pertain to the Target Company will be unchanged;

3. the operation experience of the management of the Target Company will be kept at a steady level;

4. the Target Company will maintain the current sales level; and

5. the Target Company is expected to obtain sufficient funds to support its operation, including but not limited to the working capital and capex investment, as well as business plan.

Guideline Publicly-traded Comparable Method

The guideline publicly-traded comparable method utilizes information on publicly-traded comparables that are the same or similar to the subject asset to arrive at an indication of value. The Valuer considers that the use of the guideline publicly-traded comparable method is appropriate for the valuation of the Target Company, since the method reflects the going concern of the Target Company and provides direct market reference on the value from a group of comparable companies in the market. Especially, the EV/Sales Ratio is adopted in this valuation.

EV/Sales Ratio

EV/Sales Ratio is considered appropriate and adopted in the Valuation as it is a widely adopted pricing multiple in valuation. It is a ratio for valuing a company that measures its enterprise value relative to its sales and business scale as of the valuation date. The formula is as below:

EV/Sales Ratio = Enterprise Value/Annual Sales

Selection of Comparable Companies

By adopting market approach, the Valuer has selected the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector.

Therefore, the Valuer focuses on identifying listed companies which are engaged in the business of the Target Company. As a result, a set of potential comparable companies was comprised. Then, more comprehensive researches have been carried out to confine the selection of comparable companies.

The comparable public companies are selected with mainly reference to the following selection criteria:

- primarily be engaged in genetic testing and molecular biological diagnosis services;
- should be listed on a stock exchange;
- information on the comparable companies must be extracted from a reliable source.

Comparable Companies

The list of comparable companies and the relevant details of the comparable companies selected are set out below:

Company	Industry	Stock Exchange	Price *(Note 6)*	Shares Outstanding	Market Capitalization	Sales	Total Debt	Minority Interest	Cash	Enterprise Value	EV/Sales
Company A *(Note 1)*	Biotechnology	Shenzhen	11.52	353.52	4,072.57	1,359.39	351.79	30.84	291.16	4,164.04	3.06
Company B *(Note 2)*	Biotechnology	Shenzhen	48.00	413.91	19,867.89	4,352.74	216.00	–	4,732.00	15,351.89	3.53
Company C *(Note 3)*	Medical/Nursing Services	Shanghai	23.34	416.20	9,714.11	2,002.27	1.00	–	705.00	9,010.11	4.50
Company D *(Note 4)*	Medical/Nursing Services	NASDAQ	28.91	29.63	856.69	289.21	14.91	-2.82	424.15	444.63	1.54
Company E *(Note 5)*	Financial Conglomerates	NASDAQ	5.91	10.51	62.12	21.74	16.99	3.80	72.74	10.17	0.47
											2.62

Notes:

1. Company A engages in the gene detection and sales of equipment and reagents of high-throughput sequencing technology. Its products and services include reproductive health, genetic disease testing, tumor detection, technology services, big data services, equipment & reagents, big data services and overall laboratory solution. Company A was found on 14 April 1997 and is headquartered in Beijing, China.

2. Company B is a holding company that engages in development of science and technology services in genomics field. Its business scope ranges from scientific, health, agricultural, informatics and judicial services. Company B mainly provides equipment, technical support and solutions for the needs of national economies and people's livelihoods, such as precision medicine and precision health. Company B was founded on 9 September 1999 and is headquartered in Shenzhen, China.

3. Company C engages in the provision of genomic services and solutions. The company provides research services of genetic testing and bioinformatics analysis for scientific research institutions, universities, medical institutions and pharmaceutical companies. Its products include life science research services, medical research, technical and database building platform services. Company C was founded on 15 March 2011 and is headquartered in Beijing, China.

4. Company D is a technology company, which engages in the provision of gene testing and sequencing solutions. It offers genes panels, known mutation, hereditary cancer, carrier screening, and tumor profiling solutions. Company D was founded on 13 May 2016 and is headquartered in El Monte, California, the United States of America.

5. Company E engages in the provision of preventive and diagnostic health testing and services. It operates through the following segments: prevention, diagnostics, and personalized care. The prevention segment delivers genetic testing services to individuals and corporate entities. The diagnostics segment includes COVID-19 testing services for individuals, corporate clients, and governments for community testing. The personalized care segment offers personalized nutrition, hair loss, and sexual health products tailored to each of customer's individual and genetic variation and biology. Company E was founded in 2014 and is headquartered in Hong Kong.

6. The applicable currency for company A, B and C are Renminbi. The applicable currency for company D and E are United States dollars.

7. None of the comparables has preferred stock.

Lack of Marketability Discount

The Valuer has adopted a lack of marketability discount of 20.6% in the valuation of equity interest of the Target Company to compensate for the potential difficulty of selling the investments, which are not traded on a stock exchange, compared with those of the peer companies that are traded publicly in stock exchange markets.

The 20.6% discount is sourced from the FMV Restricted Stock Study Companion Guide, which was published by FMV Opinions, Inc., one of the preeminent firms offering a broad range of financial advisory services to private and public companies. The result is concluded based on 736 observed transactions.

Control Premium

The Valuer has adopted a control premium of 10.0% in the valuation of the equity interest to represent a controlling interest.

The 10.0% premium is sourced from the Global Control Premia Study published by Business Valuation Resources, LLC.

Valuation Discussion and Summary

The valuation summary of the Target Company is as follows:

Items	*Currency: HKD*
Sales	15,846,000
EV/Sales ratio	2.62
Marketability discount	20.6%
Equity Value	32,952,515
Shareholding %	59.0%
Control premium	10.0%
Subject Equity Value	21,386,182

Premise of Valuation and Basis of Valuation

The Valuation is based on market value basis and market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the party had each acted knowledgeably, prudently and without compulsion". Such definition is in line with the requirements of International Valuation Standards.

Source of Information

The Valuer assumes that the data obtained in the course of the valuation, along with the opinions and representations provided to them by the Company were prepared in reasonably care. The Valuer has no reason to suspect that any material information has been withheld.

Factors Considered

The factors considered in this Valuation included, but were not limited to, the following:

- Operation and financial risks of the Target Company;
- Environmental policies set by the government that pertains to the Target Company;
- Average operational parameters of comparable companies in the region;
- Operation experience of the management of the Target Company.

Views of the Board on the Valuation

The Board reviewed and analyzed the assumptions and methodology of the Valuation and enquired with the Valuer and the Company's management about the valuation and its assumptions and methodology. It included but not limited to the approach adopted, EV/Sales Ratio for the preparation of the Valuation, comparable listed companies selected by the Valuer, key specific assumption in arriving at the Valuation and the calculation of the Valuation. Therefore, the Board considered the assumptions and methodology of the Valuation to be fair and reasonable.

INFORMATION OF THE COMPANY AND THE VENDOR

The Company is an investment holding company. The Group was principally engaged in three businesses: (i) pharmaceutical products business; (ii) finance leasing business; (iii) genetic testing and molecular diagnostic services.

The Vendor is a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

INFORMATION ON THE TARGET COMPANY AND THE PURCHASER

The Target Company, an indirect wholly-owned subsidiary of the Company, is primarily engaged in the provision of, inter alia, genetic testing and molecular diagnostic services. The Target Company operates a laboratory with the requisite licence in Hong Kong, providing services such as non-invasive prenatal diagnosis, tumor genetic screening, DNA testing and paternity testing.

The audited net assets value of the Target Company as at 31 December 2023 as shown in the audited accounts of the Target Company was approximately HK$6.39 million. The audited profits before and after tax of the Target Company for each of the two years ended 31 December 2023 were as follows:

	For the year ended 31 December	
	2022	**2023**
	HK$000	*HK$000*
Profit before taxation	3,421	3,298
Profit after taxation	3,031	2,684

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will cease to be consolidated into those of the Group.

The principal business of the Purchaser is investment holding, specialized in the investment and acquisition of companies and/or assets in special situations, focusing on turnaround, restructuring opportunities, high growth sectors and pre-IPO ventures.

GAIN OR LOSS ATTRIBUTABLE TO THE DISPOSAL

The Company expects to record an unaudited gain of approximately HK$17.50 million from the Disposal, representing the difference between the consideration for the Disposal and 59% of the net assets of the Target Company as at 31 December 2023, which will be subject to the review and final audit by the auditors of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board, after a review of the performance and strategic positioning of the Target Company, believes that a partial divestiture would enable the management to reallocate efforts and resources towards its core pharmaceutical business. This divestment would also provide additional working capital for the Group.

The Company intends to apply the net proceeds from the Disposal for working capital of the Group.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Disposal are more than 5% but all are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. The Disposal is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

As none of the Directors has a material interest in the Disposal, no Director is required to abstain from voting on the relevant resolution of the Board approving the Disposal.

DEFINITIONS

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

"Agreement"	the sale and purchase agreement in respect of the Sale Shares dated 17 April 2024 entered into among the Vendor and the Purchaser
"Board"	the board of Directors
"Company"	Sanai Health Industry Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1889)
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Agreement
"Completion Date"	any day within 5 business days upon the fulfilment of the condition precedent under the Agreement or on such other date as may be agreed between the Vendor and the Purchaser

"Consideration"	the consideration payable by the Purchaser to the Vendor for the Sale Shares, being HK$22 million
"Directors"	directors of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Agreement
"EV"	enterprise value
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Merit Investment Holding Limited, a company incorporated in British Virgin Islands with limited liability, which is wholly-owned by Mr. Zhou Chen
"Sale Shares"	1,180,000 issued ordinary shares of the Target Company, representing 59% of the entire issued share capital of the Target Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Zentrogene Bioscience Laboratory Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Vendor as at the date of this announcement

"Vendor"	Sanai International Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company and the sole shareholder of the Target Company
"%"	per cent.

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

Hong Kong, 17 April 2024

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.