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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue of the Group's continuing operations for the year ended 31 December 2024 decreased by approximately 20.92% to approximately RMB85.22 million (2023: approximately RMB107.77 million).
- Gross profit of the Group's continuing operations for the year ended 31 December 2024 was approximately RMB16.86 million (2023: approximately RMB29.22 million).
- Gross profit of the Group's continuing operations margin for the year ended 31 December 2024 was approximately 19.79% (2023: approximately 27.12%).
- Profit for the year ended 31 December 2024 amounted to approximately RMB3.40 million (2023: approximately RMB13.37 million).
- Basic and diluted earnings per Consolidated Share attributable to owners of the Company for the year ended 31 December 2024 was approximately RMB3.37 cent and approximately RMB3.37 cent respectively (2023: basic and diluted earnings approximately RMB14.52 cent and RMB12.73 cent respectively).

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Sanai Health Industry Group Company Limited (“**Sanai Health Industry**” or the “**Company**”) hereby announces the annual consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**” or the “**Year Under Review**”), together with the comparative figures of the year ended 31 December 2023.

The Group’s financial information for the year ended 31 December 2024 in this announcement was prepared on the basis of the consolidated financial statements which have been reviewed by the Company’s audit committee. The Group has agreed with the auditor as to the contents of this results announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

| | <i>Note</i> | 2024 RMB'000 | 2023 RMB'000 |
|--|-------------|-------------------------------|-------------------|
| <u>Continuing operations</u> | | | |
| Revenue | 5 | 85,217 | 107,765 |
| Cost of sales | | (68,353) | (78,543) |
| Gross profit | | 16,864 | 29,222 |
| Other income | 6 | 4,483 | 462 |
| Distribution costs | | (6,252) | (779) |
| Administrative and other operating expenses | | (26,054) | (13,394) |
| Write-off of inventories | | – | (52) |
| Reversal of (Provision for) impairment loss on trade receivables, net | | 575 | (478) |
| Reversal of impairment loss on finance lease receivables, net | | 221 | 3,914 |
| Provision for impairment loss on other receivables | | – | (37) |
| Share of results of associates | | (456) | – |
| Changes in fair value of convertible notes designated as financial liabilities at FVPL | 16 | – | 2,554 |
| Net loss on disposal of subsidiaries | 17 | (124) | – |
| Finance costs | 7 | (2,196) | (2,028) |
| (Loss) Profit before income tax from continuing operations | 7 | (12,939) | 19,384 |
| Income tax expenses | 8 | (968) | (8,442) |
| (Loss) Profit for the year from continuing operations | | (13,907) | 10,942 |
| <u>Discontinued operation</u> | | | |
| Profit for the year from discontinued operation | 18 | 17,308 | 2,425 |
| Profit for the year | | 3,401 | 13,367 |
| Profit (Loss) for the year attributable to: | | | |
| Owners of the Company | | 4,892 | 18,633 |
| Non-controlling interests | | (1,491) | (5,266) |
| | | 3,401 | 13,367 |
| | | | <i>(Adjusted)</i> |
| Earnings per share from continuing and discontinued operations | | | |
| Basic (RMB cent) | 10 | 3.37 | 14.52 |
| Diluted (RMB cent) | | 3.37 | 12.73 |
| (Loss) Earnings per share from continuing operations | | | |
| Basic (RMB cent) | | (8.54) | 12.63 |
| Diluted (RMB cent) | | (8.54) | 2.37 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

| | <i>Note</i> | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|-------------|--------------------------------------|------------------------|
| Profit for the year | | 3,401 | 13,367 |
| Other comprehensive expenses: | | | |
| <i>Items that may be/have been reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | (2,628) | (803) |
| Release of translation reserve upon disposal of subsidiaries | <i>17</i> | (241) | – |
| Total other comprehensive expenses | | (2,869) | (803) |
| Total comprehensive income for the year | | 532 | 12,564 |
| Total comprehensive income (expenses) for the year attributable to: | | | |
| Owners of the Company | | 2,023 | 17,830 |
| Non-controlling interests | | (1,491) | (5,266) |
| | | 532 | 12,564 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

| | <i>Note</i> | 2024 RMB'000 | 2023 RMB'000 |
|--|-------------|-------------------------------|-----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | <i>11</i> | 63,479 | 6,508 |
| Right-of-use assets | <i>11</i> | 36,258 | 5,673 |
| Intangible assets | <i>11</i> | – | 2,454 |
| Goodwill | | 1,732 | – |
| Investments in associates | | 1,952 | – |
| | | <u>103,421</u> | <u>14,635</u> |
| CURRENT ASSETS | | | |
| Inventories | | 9,865 | 487 |
| Trade and other receivables | <i>12</i> | 14,993 | 25,947 |
| Finance lease receivables | <i>13</i> | – | 9,689 |
| Financial assets at FVPL | | 140 | 176 |
| Tax recoverable | | 119 | 32 |
| Cash and cash equivalents | | 340,426 | 332,474 |
| | | <u>365,543</u> | <u>368,805</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | <i>14</i> | 74,003 | 43,317 |
| Interest-bearing borrowings | <i>15</i> | 38,919 | 7,697 |
| Lease liabilities | | 738 | 796 |
| Tax payables | | 573 | 7,363 |
| | | <u>114,233</u> | <u>59,173</u> |
| NET CURRENT ASSETS | | <u>251,310</u> | <u>309,632</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>354,731</u> | <u>324,267</u> |

| | <i>Note</i> | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 763 | 771 |
| Convertible notes designated as financial liabilities at FVPL | <i>16</i> | – | 53,214 |
| Interest-bearing borrowings | <i>15</i> | 1,507 | – |
| Deferred tax liabilities | | 855 | 611 |
| | | <u>3,125</u> | <u>54,596</u> |
| NET ASSETS | | <u>351,606</u> | <u>269,671</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>20</i> | 35,534 | 29,865 |
| Reserves | | 286,453 | 234,584 |
| Equity attributable to owners of the Company | | 321,987 | 264,449 |
| Non-controlling interests | | 29,619 | 5,222 |
| TOTAL EQUITY | | <u>351,606</u> | <u>269,671</u> |

NOTES

1. GENERAL INFORMATION

Sanai Health Industry Group Company Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) was incorporated in the Cayman Islands on 21 March 2006 and registered as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Cayman Companies Law**”). Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 1 February 2007. The address 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 consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which collective term includes all applicable individual HKFRS Accounting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The measurement basis used in the preparation of the consolidated financial statements is historical cost, 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.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the new/revised HKFRS Accounting Standards and effective from the current financial reporting period as detailed in Note 3.

3. ADOPTION OF NEW/REVISED HKFRS ACCOUNTING STANDARDS

The Group has applied, for the first time, the following new/revised HKFRS Accounting Standards:

| | |
|-----------------------------------|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HK Interpretation 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

Amendments to HK Interpretation 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

This interpretation is revised as a consequence of Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback

The amendments require a seller-lessee to subsequently determine lease payments arising from a sale and leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The adoption of the above amendments does not have any significant impact on the Group's consolidated financial statements.

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 executive directors of the Company, being identified as the chief operating decision maker (the “CODM”), for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (i) Pharmaceutical products segment: development, manufacturing, marketing and sales of pharmaceutical products, sales of pharmaceutical related software and provision of consultancy services;
- (ii) Finance leasing segment: provision of finance leasing services; and
- (iii) Genetic testing and molecular diagnostic services segment: provision of genetic testing and molecular diagnostic services (which was reclassified as a discontinued operation (Note 18)).

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, goodwill and current assets with the exception of financial assets at FVPL, investments in associates and other corporate assets. Segment liabilities include trade and certain other payables attributable to the activities of the individual segments. Convertible notes designated as financial liabilities at FVPL and other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment results is adjusted earnings before interest, income tax, depreciation and amortisation (“**Adjusted EBITDA**”), where “interest” includes interest income from bank and finance costs and “depreciation and amortisation” includes depreciation/amortisation of property, plant and equipment, right-of-use assets and intangible assets. To arrive at adjusted earnings, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as remuneration of the Company’s directors and auditor, gain/loss on disposal of subsidiaries, and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted profit or loss, the CODM is provided with segment information concerning revenue, interest income, depreciation, amortisation, write-off of inventories, provision for/reversal of impairment losses, finance costs, additions to non-current segment assets and gain/loss on disposal of subsidiaries relating to the respective segments.

Information regarding the Group’s reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

2024

| | Continuing operations | | Discontinued operation | Consolidated RMB'000 |
|--|------------------------------------|----------------------------|--|-------------------------|
| | Pharmaceutical products RMB'000 | Finance leasing RMB'000 | Genetic testing and molecular diagnostic services RMB'000 | |
| Reportable segment revenue from external customers | 85,047 | 170 | 5,721 | 90,938 |
| Reportable segment profit (Adjusted EBITDA) | 3,683 | 65 | 637 | 4,385 |
| Reportable segment assets | 132,699 | 801 | – | 133,500 |
| Reportable segment liabilities | 55,480 | 936 | – | 56,416 |
| Other segment information (Note): | | | | |
| Bank interest income | 355 | 202 | 8 | 565 |
| Finance costs | (939) | – | (29) | (968) |
| Depreciation and amortisation | (2,782) | – | (366) | (3,148) |
| Write-off of property, plant and equipment | (1,780) | – | – | (1,780) |
| Write-off of right-of-use assets | (731) | – | – | (731) |
| Reversal of impairment loss on finance lease receivables | – | 221 | – | 221 |
| Reversal for impairment loss on trade receivables, net | 575 | – | 128 | 703 |
| (Loss) Gain on disposal of subsidiaries | (370) | 246 | 17,233 | 17,109 |
| Addition to non-current assets | 1,229 | – | 2,238 | 3,467 |

2023

| | Continuing operations | | Discontinued operation | Consolidated RMB'000 |
|---|------------------------------------|----------------------------|--|-------------------------|
| | Pharmaceutical products RMB'000 | Finance leasing RMB'000 | Genetic testing and molecular diagnostic services RMB'000 | |
| Reportable segment revenue from external customers | 100,517 | 7,248 | 14,333 | 122,098 |
| Reportable segment profit (Adjusted EBITDA) | 19,818 | 10,355 | 3,665 | 33,838 |
| Reportable segment assets | 33,937 | 337,414 | 9,206 | 380,557 |
| Reportable segment liabilities | 16,492 | 1,919 | 7,126 | 25,537 |
| Other segment information (Note): | | | | |
| Bank interest income | 81 | 356 | 2 | 439 |
| Finance costs | (57) | – | (24) | (81) |
| Depreciation and amortisation | (3,143) | (3) | (661) | (3,807) |
| Write-off of inventories | (52) | – | – | (52) |
| Reversal of impairment loss on finance lease receivables, net | – | 3,914 | – | 3,914 |
| Provision for impairment loss on trade receivables, net | (478) | – | (1,036) | (1,514) |
| Provision for impairment loss on other receivables | (37) | – | – | (37) |
| Addition to non-current assets | – | – | 1,091 | 1,091 |

Segment revenue reported above represents revenue generated from external customers. There were no significant inter-segment sales during the years ended 31 December 2024 and 2023.

Note:

Any difference between the total amounts set out in the above segment information and the amounts reported elsewhere in the consolidated financial statements represented the unallocated portion for the corporate office.

Reconciliation of reportable segment revenue, result, assets and liabilities

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|---|--------------------------------|--------------------------------|
| Revenue | | |
| Reportable segment revenue from external customers | 90,938 | 122,098 |
| Total reportable segment profit (Adjusted EBITDA) | 4,385 | 33,838 |
| Other income | 3,381 | 445 |
| Depreciation and amortisation | (3,153) | (4,062) |
| Net gain on disposal of subsidiaries | 17,109 | – |
| Share of results of associates | (456) | – |
| Finance costs | (2,225) | (2,052) |
| Unallocated head office and corporate expenses | | |
| — staff costs (including directors' emoluments) | (5,457) | (3,769) |
| — change in fair value of convertible notes designated financial liabilities at FVPL | – | 2,554 |
| — others | (9,040) | (4,590) |
| Consolidated profit before income tax, from continuing and discontinued operations | 4,544 | 22,364 |
| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
| Reportable segment assets | 133,500 | 380,557 |
| Financial assets at FVPL | 140 | 176 |
| Investments in associates | 1,952 | – |
| Unallocated head office and corporate assets | 333,372 | 2,707 |
| Consolidated total assets | 468,964 | 383,440 |
| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
| Reportable segment liabilities | 56,416 | 26,148 |
| Convertible notes designated as financial liabilities at FVPL | – | 53,214 |
| Unallocated head office and corporate liabilities | 60,942 | 34,407 |
| Consolidated total liabilities | 117,358 | 113,769 |

Geographic Information

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.

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|-------------------------------|------------------------|------------------------|
| Continuing operations | | |
| The PRC | 85,217 | 107,765 |
| Discontinued operation | | |
| Hong Kong | 5,721 | 14,333 |
| | <u>90,938</u> | <u>122,098</u> |

Non-current assets

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.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of total revenue of the Group (from continuing and discontinued operations) during the reporting periods are as follows:

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Continuing operations | | |
| From pharmaceutical products segment | | |
| Customer A | 39,903 | 40,604 |
| Customer B | 9,756 | 13,358 |
| Customer C | 9,422 | Note |
| | <u> </u> | <u> </u> |
| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
| Discontinued operation | | |
| From genetic testing and molecular diagnostic services segment | | |
| Customer D | Note | 13,806 |
| | <u> </u> | <u> </u> |

Note:

These customers contributed less than 10% of revenue of the Group (from continuing and discontinued operations) for the years ended 31 December 2024 and 2023, respectively.

5. REVENUE

The principal activities of the Group are the development, manufacturing, marketing and sales of pharmaceutical products, provision of finance leasing services and provision of genetic testing and molecular diagnostic services.

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

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Continuing operations | | |
| Revenue from contracts with customers within HKFRS 15 | | |
| At a point in time | | |
| – Sales of pharmaceutical products | 81,984 | 100,517 |
| – Sales of other goods | 3,063 | – |
| | <u>85,047</u> | <u>100,517</u> |
| Revenue from other sources | | |
| – Finance leasing interest income | 170 | 7,248 |
| | <u>85,217</u> | <u>107,765</u> |
| Discontinued operation | | |
| Revenue from contracts with customers within HKFRS 15 | | |
| Over time | | |
| – Provision of genetic testing and molecular diagnostic services | 5,721 | 14,333 |
| | <u>90,938</u> | <u>122,098</u> |

For sales of pharmaceutical products and other goods, revenue is recognised when control of goods has transferred, being when the goods have been accepted by customers (acceptance) after goods delivered to the specific location or picked up by customers. Following acceptance, the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 365 days (2023: 30 to 180 days) upon acceptance.

The Group provided genetic testing and molecular diagnostic services to the customers. Genetic testing and molecular diagnostic testing income was recognised when the genetic testing and molecular diagnostic services were rendered and there was no unfulfilled obligation that could affect the customer's acceptance of the service.

6. OTHER INCOME

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--------------------------------------|------------------------|------------------------|
| Continuing operations | | |
| Bank interest income | 566 | 443 |
| Exchange gain, net | 2,516 | – |
| Government subsidies (<i>Note</i>) | 982 | – |
| Sundry income | 419 | 19 |
| | <u>4,483</u> | <u>462</u> |
| Discontinued operation | | |
| Bank interest income | 8 | 2 |
| Rent concession received | 21 | 68 |
| Sundry income | – | 4 |
| | <u>29</u> | <u>74</u> |
| | <u><u>4,512</u></u> | <u><u>536</u></u> |

Note:

In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants.

7. (LOSS) PROFIT BEFORE INCOME TAX

(Loss) Profit before income tax is arrived at after charging (crediting):

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Finance costs | | |
| Continuing operations | | |
| Interest on convertible notes | 415 | 1,683 |
| Interest on borrowings | 1,729 | 287 |
| Finance charges on lease liabilities | 52 | 58 |
| | <u>2,196</u> | <u>2,028</u> |
| Discontinued operation | | |
| Finance charges on lease liabilities | 29 | 24 |
| | <u>2,225</u> | <u>2,052</u> |
| Staff costs | | |
| Continuing operations | | |
| Directors' emoluments | 2,324 | 1,881 |
| Other staff costs | | |
| – Salaries, wages, allowances, bonus and benefits in kind | 12,372 | 5,634 |
| – Contributions to defined contribution retirement plans | 2,122 | 628 |
| | <u>16,818</u> | <u>8,143</u> |
| Discontinued operation | | |
| Other staff costs | | |
| – Salaries, wages, allowances, bonus and benefits in kind | 2,612 | 3,200 |
| – Contributions to defined contribution retirement plans | 79 | 96 |
| | <u>2,691</u> | <u>3,296</u> |
| | <u>19,509</u> | <u>11,439</u> |

| | 2024 | 2023 |
|--|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Other items | | |
| Continuing operations | | |
| Depreciation of property, plant and equipment | 1,703 | 1,015 |
| Amortisation of intangible assets (included in "Cost of sales and services rendered") | 332 | 1,965 |
| Depreciation of right-of-use assets | 752 | 421 |
| Changes in fair value of financial assets at FVPL, net | 36 | 19 |
| Auditor's remuneration | 1,290 | 1,537 |
| Exchange (gain) loss, net | (2,516) | 230 |
| Expenses relating to short-term leases | 395 | 222 |
| Write-off of property, plant and equipment | 1,780 | – |
| Write-off of right-of-use assets | 731 | – |
| Cost of inventories (<i>Note</i>) | <u>67,069</u> | <u>77,508</u> |
| Discontinued operation | | |
| Auditor's remuneration | 155 | – |
| Depreciation of property, plant and equipment | 74 | 156 |
| Depreciation of right-of-use assets | 292 | 505 |
| Cost of services rendered (<i>Note</i>) | <u>3,076</u> | <u>8,370</u> |

Note:

For continuing operations, cost of inventories includes approximately RMB4,697,000 (2023: RMB3,464,000) relating to staff costs, depreciation and amortisation which amount is also included in the respective amounts disclosed separately above.

For discontinued operation, cost of service rendered includes approximately RMB1,776,000 (2023: RMB2,846,000) relating to staff costs and depreciation which amount is also included in the respective amounts disclosed separately above.

8. INCOME TAX EXPENSES

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Continuing operations | | |
| Current tax | | |
| PRC Enterprise Income Tax (“EIT”) | | |
| – Current year | 727 | 8,932 |
| Deferred tax | | |
| Deferred taxation | 241 | (490) |
| | <u>968</u> | <u>8,442</u> |
| Discontinued operation | | |
| Current tax | | |
| Hong Kong Profits Tax | | |
| – Current year | 28 | 555 |
| – Under-provision in prior year | 147 | – |
| | <u>175</u> | <u>555</u> |
| Total income tax expenses for continuing and discontinued operations | <u><u>1,143</u></u> | <u><u>8,997</u></u> |

For the PRC subsidiaries of the Group, PRC EIT is calculated at 25% (2023: 25%) in accordance with the relevant laws and regulations in the PRC except for 北京航洋健康科技有限公司 (Beijing Hangyang Health Technology Co., Ltd.*) (“**Beijing Hangyang**”) which was acquired by the Group in the current year (Note 19) and has been recognised as High and New Technology Enterprise (the “**HNTE**”) and is entitled to a preferential tax rate of 15% during the year ended 31 December 2024. The entitlement of the HNTE is subject to renewal by the tax bureau in the PRC every three years. The latest approval of the HNTE for Beijing Hangyang was obtained in October 2023 for the three years ending 31 December 2025.

Under the two-tiered profits tax regime of Hong Kong Profits Tax, the first Hong Kong dollars (“**HK\$**”) 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be tax at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

* *English name is translated for identification purpose only.*

9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2024 and 2023.

10. EARNINGS PER SHARE

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

| | 2024 | 2023 |
|--|-----------------------|-------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the year attributable to the owners of the Company | | |
| for the purpose of basic earnings per share | 4,892 | 18,633 |
| Change in fair value of convertible notes designated as financial liabilities at FVPL | – | (2,554) |
| Exchange difference on convertible notes designated as financial liabilities at FVPL | 2,301 | 1,543 |
| Interest on convertible notes | 415 | 1,683 |
| | <hr/> | <hr/> |
| Profit for the year attributable to the owners of the Company for the purpose of diluted earnings per share | <u>7,608</u> | <u>19,305</u> |
| | '000 | <i>'000</i> |
| | | <i>(Adjusted)</i> |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 145,338 | 128,332 |
| Effect of conversion of convertible notes | – | 23,367 |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>145,338</u> | <u>151,699</u> |

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share was on the basis as if the Share Consolidation (as defined in Note 20) had been effective on 1 January 2023.

The computation of diluted earnings per share does 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 years ended 31 December 2024 and 2023.

11. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE-ASSETS AND INTANGIBLE ASSETS

During the year ended 31 December 2024, the Group has addition of property, plant and equipment of approximately RMB64,548,000 (2023: Nil), and right of-use assets of approximately RMB35,810,000 (2023: Nil) through acquisition of subsidiaries (as defined in Note 19). In addition, the Group has acquired property, plant and equipment of approximately RMB1,174,000 (2023: RMB82,000) from independent third parties.

During the year ended 31 December 2024, the Group has disposed of property, plant and equipment of approximately RMB5,197,000 (2023: Nil), right-of-use assets of approximately RMB5,743,000 (2023: Nil) and intangible assets of approximately RMB2,122,000 through disposals of subsidiaries (as detailed in Note 17).

12. TRADE AND OTHER RECEIVABLES

| | <i>Note</i> | 2024 RMB'000 | 2023 RMB'000 |
|------------------------------------|-------------|-------------------------------|-----------------|
| Trade receivables | | 9,561 | 24,613 |
| Less: Provision for loss allowance | <i>(c)</i> | (1) | (1,663) |
| | | 9,560 | 22,950 |
| Other receivables | <i>(d)</i> | 3,190 | 1,727 |
| Amount due from a related company | <i>(e)</i> | 3 | 3 |
| Deposits | | 90 | 185 |
| Prepayments | | 1,742 | 841 |
| Other PRC tax receivables | | 408 | 241 |
| | | 14,993 | 25,947 |

Notes:

- (a) At 31 December 2024 and 2023, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.
- (b) The Group normally grants credit terms of 30 to 365 days (2023: 30 to 180 days) to its customers.

At the end of the reporting period, the ageing analysis of trade receivables presented based on the invoice date and net of loss allowance is as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------|-------------------------------|-----------------|
| Within 30 days | 4,739 | 10,503 |
| 31 to 60 days | 4,821 | 10,896 |
| 61 to 90 days | – | 523 |
| 91 to 120 days | – | 508 |
| 121 to 365 days | – | 520 |
| | 9,560 | 22,950 |

(c) Reconciliation of loss allowance for trade receivables:

| | 2024 | 2023 |
|--|-----------------|---------------------|
| | RMB'000 | RMB'000 |
| At 1 January | 1,663 | 149 |
| Disposal of subsidiaries | (959) | – |
| (Decrease) Increase in loss allowance, net | (703) | 1,514 |
| At 31 December | <u>1</u> | <u>1,663</u> |

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The expected credit losses also incorporate forward looking information.

| | Not past due | Within 30 days past due | 31 to 365 days past due | Over 365 days past due | Total |
|-------------------------------------|----------------------|-------------------------------|-------------------------------|------------------------------|----------------------|
| At 31 December 2024 | | | | | |
| Weighted average expected loss rate | Nil | 2.50% | N/A | N/A | 0.01% |
| Receivable amount (RMB'000) | 9,521 | 40 | – | – | 9,561 |
| Loss allowance (RMB'000) | – | (1) | – | – | (1) |
| | <u>9,521</u> | <u>39</u> | <u>–</u> | <u>–</u> | <u>9,560</u> |
| | Not past due | Within 30 days past due | 31 to 365 days past due | Over 365 days past due | Total |
| At 31 December 2023 | | | | | |
| Weighted average expected loss rate | 2.00% | 5.94% | 100.00% | N/A | 6.76% |
| Receivable amount (RMB'000) | 21,835 | 1,649 | 1,129 | – | 24,613 |
| Loss allowance (RMB'000) | (436) | (98) | (1,129) | – | (1,663) |
| | <u>21,399</u> | <u>1,551</u> | <u>–</u> | <u>–</u> | <u>22,950</u> |

During the year ended 31 December 2024, the significant changes in loss allowance were mainly contributed by (i) the derecognition of trade receivables upon the disposal of subsidiaries and (ii) decrease in gross balances of the trade receivables and (iii) drop in the weighted average expected loss rate.

During the year ended 31 December 2023, the significant changes in loss allowance were contributed by the deterioration of the business environment in the PRC for the year ended 31 December 2023.

- (d) Included in the other receivables of approximately RMB170,000 (2023: approximately RMB19,000) represents interest receivables from finance lease receivables.
- (e) The amount due from a related company is unsecured, interest-free and has no fixed repayment term.

13. FINANCE LEASE RECEIVABLES

| | Gross amount | | Present value | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Less than 1 year | – | 10,090 | – | 9,910 |
| Between 1 and 2 years | – | – | – | – |
| | – | 10,090 | – | 9,910 |
| Less: Unearned finance income | – | (180) | – | – |
| Present value of lease payments | – | 9,910 | – | 9,910 |
| | | | | |
| Less: Loss allowances | | | – | (221) |
| | | | – | 9,689 |
| Analysed as: | | | | |
| Current | | | – | 9,689 |
| Non-current | | | – | – |
| | | | – | 9,689 |

At 31 December 2023, the finance lease receivables are secured over the leased assets represented mainly by machineries and equipment. During the year ended 31 December 2024, all the finance lease receivable were settled and therefore the pledged leased assets have been released.

The Group is not permitted to sell or repledge the collateral of finance lease receivables in the absence of approval by the lessee. All the Group's finance lease receivables are denominated in RMB, the functional currency of the relevant group entities.

The weighted average term of finance leases outstanding during the year ended 31 December 2023 is 1.6 years and all the leases require repayment by installments. In the event the lessee breaches the lease contract, the Group has the right to use or sell the assets leased and to call for full or partial repayment of the outstanding balance of finance lease receivables. At the end of the finance lease term, the lessee will be able to purchase the leased assets at nominal price.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 5.4% per annum at 31 December 2023. The finance lease receivables at 31 December 2023 are neither past due nor impaired.

Reconciliation of loss allowance for finance lease receivables:

| | 2024 | 2023 |
|-------------------------------|----------------|------------|
| | RMB'000 | RMB'000 |
| At 1 January | 221 | 4,135 |
| Amount recovered and reversed | (221) | (3,769) |
| Decrease in loss allowance | – | (145) |
| | <u>–</u> | <u>–</u> |
| At 31 December | <u>–</u> | <u>221</u> |

14. TRADE AND OTHER PAYABLES

| | | 2024 | 2023 |
|------------------------------|-------------|----------------|---------------|
| | <i>Note</i> | RMB'000 | RMB'000 |
| Trade payables | | 14,285 | 9,250 |
| Payroll and welfare payables | | 5,755 | 4,922 |
| Accrued expenses | | 3,924 | 2,877 |
| Other payables | | 36,322 | 22,626 |
| Other PRC tax payables | | 434 | 935 |
| Contract liabilities | <i>(a)</i> | 4,147 | 366 |
| Interest payables | <i>(b)</i> | 3,100 | 1,751 |
| Amount due to directors | <i>(c)</i> | 590 | 590 |
| Amount due to an associate | <i>(d)</i> | 5,446 | – |
| | | <u>74,003</u> | <u>43,317</u> |

The trade payables were unsecured, interest-free and with normal credit terms up to 60 days (2023: 60 day).

The ageing analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

| | 2024 | 2023 |
|-----------------|----------------|--------------|
| | RMB'000 | RMB'000 |
| Within 30 days | 6,607 | 7,518 |
| 31 to 60 days | 6,628 | 1,577 |
| 61 to 90 days | 292 | 3 |
| 91 to 120 days | 20 | – |
| 121 to 365 days | 551 | – |
| Over 365 days | 187 | 152 |
| | <u>14,285</u> | <u>9,250</u> |

Notes:

- (a) Movement of the contract liabilities (excluding those arising from increases and decreases both occurred within the same reporting period) of contract liabilities within HKFRS 15 during the reporting period:

| | 2024 | 2023 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January | 366 | 360 |
| Additions | 2,972 | 366 |
| Acquisition of subsidiaries | 4,268 | – |
| Disposal of subsidiaries | (20) | – |
| Recognition of revenue during the year | (3,439) | (360) |
| At 31 December | <u>4,147</u> | <u>366</u> |

The contract liabilities of approximately RMB4,147,000 and RMB366,000 at 31 December 2024 and 2023, respectively, represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period. The Group expects the transaction price of approximately RMB4,147,000 and RMB366,000 at 31 December 2024 and 2023, respectively, allocated to the unsatisfied performance obligations are expected to be recognised as revenue in one year or less when the obligations are performed.

Contract liabilities primarily represent advance payments received from customers for goods that have not been transferred to the customers. The changes in contract liabilities during the years ended 31 December 2024 and 2023 were mainly due to effect of acquisition of subsidiaries (Note 19).

- (b) Interest payables at 31 December 2024 included approximately RMB1,828,000 (2023: approximately RMB1,353,000) related to convertible notes and approximately RMB1,272,000 (2023: approximately RMB398,000) related to interest-bearing borrowings.
- (c) The amount due to directors is non-trade in nature, unsecured, interest-free and repayable on demand.
- (d) The amount due to an associate is non-trade in nature, unsecured, interest-free and repayable on demand.

15. INTEREST-BEARING BORROWINGS

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Unsecured borrowings | | |
| – Fixed-rate other borrowings | 8,426 | 7,697 |
| – Fixed-rate bank loans | 5,000 | – |
| Secured borrowings (Note (a)) | | |
| – Variable-rate bank loans | 27,000 | – |
| | <u>40,426</u> | <u>7,697</u> |
| Carrying amounts of the interest-bearing borrowings are repayable (Remark): | | |
| – On demand or less than 1 year | 14,919 | 7,697 |
| – 1 to 2 years | 24,000 | – |
| – 2 to 3 years | 1,507 | – |
| | <u>40,426</u> | <u>–</u> |
| Less: Amounts shown in current liabilities | <u>(38,919)</u> | <u>(7,697)</u> |
| Amounts shown in non-current liabilities | <u>1,507</u> | <u>–</u> |
| Denominated in: | | |
| HK\$ | 8,426 | 7,697 |
| RMB | <u>32,000</u> | <u>–</u> |

Remark: At 31 December 2024, the interest-bearing borrowings of approximately RMB27,000,000 (2023: Nil), with a clause in the loan agreements that gave the lenders an overriding right to demand repayment without notice or with notice period of less than 12 months at their sole discretion, were classified as current liabilities even though the directors of the Company did not expect that the lenders would exercise their rights to demand repayment. The amounts due were presented based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates on the Group's borrowings are as follow:

| | 2024 | 2023 |
|--------------------------|--------------------|----------|
| | % | % |
| Fixed-rate borrowings | 2.45 – 12.00 | 5.00 |
| Variable-rate borrowings | <u>3.25 – 3.35</u> | <u>–</u> |

At 31 December 2024, the bank borrowings of approximately RMB27,000,000 (2023: Nil) are guaranteed by a financial institution (an independent third party) and the Group had pledged the right-of-use assets with carrying amount of approximately RMB12,325,000 to the financial institution.

16. CONVERTIBLE NOTES

On 13 January 2022, the Company, Fujian Sanai Biotechnology Limited* (福建三愛生物科技股份有限公司) (“**Fujian Sanai**”) and Fujian Zhixin Medicine Co., Limited* (福建至信醫藥有限公司) (“**Fujian Zhixin**”), both being indirect wholly-owned subsidiaries of the Company (collectively as “**Obligors**”) and two independent third parties being Mr. Zhi Shao Huan (支紹環) (“**Subscriber 1**”) and Mr. Jiang Heng Guang (蔣恒光) (“**Subscriber 2**”) (collectively 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 RMB63,677,000) which are convertible into the Company's ordinary shares at the conversion price of HK\$0.119 per share (subject to adjustment).

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, the Company will execute the charges (the “**Share 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. In addition, each of the Obligors will execute the charge (the “**Account Charges**”) to be executed by the Obligors in favour of the Subscribers over the bank accounts in the name of the Obligors 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.

Convertible notes with coupon interest rate of 3% per annum payable semi-annually in arrears will mature 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 RMB63,677,000) was successfully issued with maturity date of 8 February 2023 (which was extended to 9 February 2026 in March 2023 as disclosed below)

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

* *English name is translated for identification purpose only.*

On 3 March 2023, the Company entered into the supplemental deed (the “**Supplemental Deed**”) with the Obligors and the Subscribers, pursuant to which, on the terms and subject to the conditions therein, the Company, the Obligors and the Subscribers conditionally agreed, among others, to amend the conversion price at HK\$0.098 per share and extend the maturity date for 3 years to 9 February 2026 and make certain related changes under the convertible notes (the “**Proposed Amendments**”). The Subscribers have agreed to execute the deed of release in respect of the Account Charge upon satisfaction of the conditions precedent under the Supplemental Deed by the Subscribers as charge in favour of the Obligors as chargors to terminate the Account Charge and release the Obligors from their obligations under the Account Charge. The Share Charges remain fully effective and are not released nor diminished by any provision of the Supplemental Deed.

On 20 March 2023, the Company has partially redeemed the convertible notes in the principal amount of HK\$12,000,000 (equivalent to approximately RMB10,668,000). The Proposed Amendments have become effective on 20 March 2023 and the maturity date of the convertible notes has been extended to 9 February 2026.

Details of the above have been disclosed in the Company’s announcements dated 13 January 2022, 26 January 2022, 31 January 2022, 9 February 2022, 3 March 2023 and 20 March 2023.

In the opinion of the Group’s management, the Proposed Amendments were not substantial modification as defined in HKFRS 9 since the discounted present value of the cash flows after the Proposed Amendments using the original effective interest rate is not more than 10% different from the discounted present value of the remaining cash flows under the original terms before the Proposed Amendments.

On 23 April 2024, the remaining outstanding convertible notes were fully converted into 612,244,897 ordinary shares of the Company at the conversion price of HK\$0.098 per share.

The movements of the convertible notes for the reporting period are set out below:

| | 2024 | 2023 |
|--|-----------------|---------------|
| | RMB’000 | RMB’000 |
| At 1 January | 53,214 | 65,089 |
| Partial redemption | – | (10,864) |
| Changes in fair value credited to profit or loss | – | (2,554) |
| Conversion into ordinary shares (Note 20) | (55,515) | – |
| Exchange difference charged to profit or loss | 2,301 | 1,543 |
| | <hr/> | <hr/> |
| At 31 December | – | 53,214 |
| | <hr/> <hr/> | <hr/> <hr/> |

17. DISPOSAL OF SUBSIDIARIES

Continuing operations

- (a) On 27 February 2024, the Group disposed of its 51% equity interest in 福建永春製藥有限公司 Fujian Yongchun Pharmaceutical Company Limited* (“**Fujian Yongchun**”) to an independent third party at a cash consideration of RMB4,800,000, which is largely equal to the net carrying amounts, in accordance with share transfer agreement dated 27 February 2024.

Details of the consideration received for the this disposal and net assets of Fujian Yongchun at the date of disposal are summarised as follows:

| | 2024 RMB'000 |
|---|-----------------|
| Consideration received, satisfied by: | |
| Cash received | 4,800 |
| Net assets disposed of: | |
| Property, plant and equipment | 4,210 |
| Right-of-use assets | 4,124 |
| Intangible assets | 2,122 |
| Amounts due from fellow subsidiaries | 4,800 |
| Trade and other receivables | 6 |
| Cash and bank balances | 80 |
| Trade and other payables | (2,187) |
| Amount due to a fellow subsidiary | (62) |
| Tax payables | (2,425) |
| Deferred tax liabilities | (531) |
| Net assets at the date of disposal | 10,137 |
| Non-controlling interests | (4,967) |
| Consideration | (4,800) |
| Loss on disposal of Fujian Yongchun | 370 |
| Net cash inflow from disposal of Fujian Yongchun | |
| Consideration received | 4,800 |
| Less: Cash and bank balances disposed of | (80) |
| | 4,720 |

* *English name is translated for identification purpose only.*

- (b) On 19 January 2024, the Group disposed of its entire 100% equity interest in Z J W Electronics (Hong Kong) Limited together with its wholly-owned subsidiary, 中匯鑫融資租賃(深圳)有限公司 Zhonghuixin Financial Leasing (Shenzhen) Co., Ltd.*, (collectively referred to as the “**Z J W Group**”) to 4 independent third parties at total cash consideration of HK\$3,600,000 (equivalent to approximately RMB3,300,000), which is largely equal to the net carrying amounts, in accordance with the share transfer agreement dated 17 January 2024.

Details of the consideration received for this disposal and net assets of the Z J W Group at the date of disposal are summarised as follows:

| | 2024 |
|---|---------------------|
| | RMB'000 |
| Consideration received, satisfied by: | |
| Cash received | <u>3,300</u> |
| Net assets disposed of: | |
| Other receivables | 1 |
| Amounts due from fellow subsidiaries | 3,303 |
| Cash and bank balances | 7 |
| Tax payables | <u>(256)</u> |
| Net assets at the date of disposal | 3,055 |
| Release of exchange reserve | (1) |
| Consideration | <u>(3,300)</u> |
| Gain on disposal of the Z J W Group | <u>(246)</u> |
| Net cash inflow from disposal of the Z J W Group | |
| Consideration received | 3,300 |
| Less: Cash and bank balances disposed of | <u>(7)</u> |
| | <u>3,293</u> |

* *English name is translated for identification purpose only.*

Discontinued operation

On 31 May 2024, the Group disposed of its 59% equity interest in Zentrogene Bioscience Laboratory Limited together with its wholly-owned subsidiary, Zentrogene Bioscience (Cambodia) Co., Ltd. (collectively referred to as the “**Zentrogene Group**”) to an independent third party (the “**Purchaser**”) at a cash consideration of HK\$22,000,000 (equivalent to approximately RMB20,469,000) in accordance with the share transfer agreement dated 17 April 2024 (the “**Zentrogene Disposal**”). In the opinion of the Group’s management, the consideration for the Zentrogene Disposal was determined after arms’ length negotiations between the Group and the Purchaser with reference to, among others, (i) the business development opportunity and prospects of the Zentrogene Group; (ii) the financial status of the Zentrogene Group; and (iii) the estimated market value of the Zentrogene Group with reference to the valuation carried out by CHFT Advisory and Appraisal Ltd., an independent valuer.

The Zentrogene Disposal constitutes a disclosable transaction for the Company under the Listing Rules. Details of the Zentrogene Disposal were set out in the Company’s announcement dated 17 April 2024.

Following the completion of the Zentrogene Disposal on 31 May 2024, the assets and liabilities of Zentrogene Group were deconsolidated from the Group’s consolidated statement of financial position and the remaining equity interests of 41% in Zentrogene Group have been accounted for as an associate using equity method. In the opinion of the Group’s management, the fair value of the 41% equity interests in Zentrogene Group at the date on which the control was lost is approximate to the proportion of the Group’s equity interest in net assets of Zentrogene Group as the cost on initial recognition of the investment in Zentrogene Group as an associate.

Details of the consideration received for the Zentrogene Disposal and net assets of the Zentrogene Group at the date of disposal are summarised as follows:

| | 2024 |
|--|------------------------|
| | RMB'000 |
| Consideration received, satisfied by: | |
| Cash received | <u>20,469</u> |
| Net assets disposed of: | |
| Property, plant and equipment | 987 |
| Right-of-use assets | 1,619 |
| Inventories | 842 |
| Amounts due from fellow subsidiaries | 6,419 |
| Trade and other receivables | 3,320 |
| Cash and bank balances | 616 |
| Trade and other payables | (5,125) |
| Amount due to a fellow subsidiary | (895) |
| Tax payables | (255) |
| Lease liabilities | <u>(1,636)</u> |
| Net assets at the date of disposal | 5,892 |
| 59% equity interest disposed of | 3,476 |
| Release of exchange reserve | (240) |
| Consideration | <u>(20,469)</u> |
| Gain on disposal of the Zentrogene Group | <u>(17,233)</u> |
| Net cash inflow from disposal of the Zentrogene Group | |
| Consideration received | 20,469 |
| Less: Cash and bank balances disposed of | <u>(616)</u> |
| | <u>19,853</u> |

18. DISCONTINUED OPERATION

Genetic testing and molecular diagnostic service business

During the year ended 31 December 2024, the Group ceased to carry on genetic testing and molecular diagnostic service business upon completion of the Zentrogene Disposal on 31 May 2024 as disclosed in Note 17. Accordingly, the Group's genetic testing and molecular diagnostic service business was classified as a discontinued operation (the "Discontinued Operation").

The results of the Discontinued Operation have been presented separately in the Group's consolidated statement of profit or loss for the period from 1 January 2024 to date of disposal and the year ended 31 December 2023 as follows:

| | <i>Notes</i> | 2024 RMB'000 | 2023 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| Revenue | | 5,721 | 14,333 |
| Cost of services rendered | | (3,076) | (8,370) |
| Gross profit | | 2,645 | 5,963 |
| Other income | 6 | 29 | 74 |
| Administrative and other operating expenses | | (2,523) | (1,997) |
| Reversal of (Provision for) impairment loss on trade receivables, net | | 128 | (1,036) |
| Finance costs | 7 | (29) | (24) |
| Profit from operations | 7 | 250 | 2,980 |
| Gain on disposal of the Zentrogene Group | 17 | 17,233 | – |
| Profit before income tax | 7 | 17,483 | 2,980 |
| Income tax expenses | 8 | (175) | (555) |
| Profit for the period up to the date of disposal/year | | 17,308 | 2,425 |

The cash flow information of the Discontinued Operation for the period from 1 January 2024 to date of disposal and the year ended 31 December 2023 is as follows:

| | 2024 RMB'000 | 2023 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Net cash (used in) from operating activities | (2,302) | 3,726 |
| Net cash used in investing activities | 831 | 80 |
| Net cash used in financing activities | 312 | 444 |

The profit per share information of the Discontinued Operation is as follows:

| | 2024 | 2023 |
|---------|------------------------|-----------------|
| | <i>RMB cent</i> | <i>RMB cent</i> |
| Basic | 11.91 | 1.89 |
| Diluted | 11.91 | 1.89 |

The basic and diluted profit per share for the Discontinued Operation are calculated by dividing the profit of the Discontinued Operation for the period up to the date of disposal/year by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted profit per share computation respectively. The denominators used are the same as those detailed in Note 10 for the basic profit per share.

The computation of diluted earnings per share does not assume (i) the conversion of convertible notes since it has no impact on profit of the Discontinued Operation and (ii) 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 years ended 31 December 2024 and 2023.

19. ACQUISITION OF SUBSIDIARIES

On 1 March 2024, the Group entered into a sale and purchase agreement with an independent third party named Mr. Xie Haijing (the “**Vendor**”), pursuant to which the Group conditionally agreed to acquire and the Vendor conditionally agreed to sell 51% equity interest in Beijing Hangyang and its subsidiaries (collectively referred to as the “**Beijing Hangyang Group**”) at a cash consideration of RMB33,150,000 (the “**Acquisition**”). On 14 May 2024, the Acquisition was completed.

The principal activities of the Beijing Hangyan Group are research, production and sales of health products, functional foods and skincare products in the field of soft capsule dosage form.

The Acquisition constituted a business combination and had been accounted for using the acquisition method under HKFRS 3 (Revised) “Business Combinations”.

The Acquisition constitutes a disclosable transaction for the Company under the Listing Rules. Details of the Acquisition are set out in the Company’s announcements dated 1 March 2024 and 18 March 2024.

The following summarises the consideration paid and the amounts of the identifiable assets acquired and liabilities assumed at the date of acquisition:

| | 2024 |
|--|-----------------|
| | RMB'000 |
| Consideration paid, satisfied by: | |
| Cash paid | 33,150 |
| | <hr/> |
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Property, plant and equipment | 64,548 |
| Right-of-use assets | 35,810 |
| Inventories | 6,663 |
| Trade and other receivables | 3,013 |
| Cash and bank balances | 4,960 |
| Trade and other payables | (17,893) |
| Tax payables | (174) |
| Interest-bearing borrowings | (34,300) |
| Deferred tax liabilities | (534) |
| | <hr/> |
| Total identifiable net assets | 62,093 |
| Non-controlling interests recognised | (30,675) |
| Goodwill recognised on the Acquisition | 1,732 |
| | <hr/> |
| | 33,150 |
| | <hr/> <hr/> |
| Net cash outflow from the Acquisition | |
| Net cash acquired from the Beijing Hangyang Group | 4,960 |
| Consideration paid | (33,150) |
| | <hr/> |
| | (28,190) |
| | <hr/> <hr/> |

The directors of the Company have engaged an independent valuer (the “**Valuer**”), to provide assistance in determining the fair value of the identifiable assets and liabilities of the Beijing Hangyang Group at the date of acquisition in accordance with HKFRS 13. The Valuer has reviewed the methodologies, the key valuation parameters and business assumptions adopted.

The Group has selected to measure the non controlling interests at its proportionate interest in the identifiable assets and liabilities of the Beijing Hangyang Group.

Goodwill arising from the Acquisition represents the excess of the fair value of the consideration paid by the Group over the fair value of identifiable net assets and contingent liabilities (if any) of the Beijing Hangyang Group.

The goodwill arising from the Acquisition is attributable to the growth and profit potential as a result of benefiting from expansion of core business of the Group due to synergies. However, in the opinion of the management of the Group, the fair values of the growth and profit potential cannot be reasonably estimated and thus no individual intangible assets have been recognised. None of the goodwill recognised is expected to be deductible for income tax purpose.

The fair values of trade and other receivables acquired included trade receivables with fair value of approximately RMB631,000 and other receivables with fair value of RMB2,382,000. The total gross contractual amounts of the trade and other receivables are approximately RMB3,013,000, of which no provision were made against trade and other receivables.

Since acquisition and up to 31 December 2024, the Beijing Hangyang Group has contributed revenue of approximately RMB32,535,000 and contributed a loss of approximately RMB1,174,000 to the Group.

If the business combinations effected during the year ended 31 December 2024 had been taken place at 1 January 2024, the revenue and profit of the Group would have been approximately RMB112,616,000 and approximately RMB1,825,000, respectively.

20. SHARE CAPITAL

| | Number of ordinary shares (‘000) | Amount HK\$’000 |
|---|---|----------------------|
| Authorised: | | |
| At 1 January 2023, 31 December 2023, 1 January 2024, ordinary shares of HK\$0.01 each | 10,000,000 | 100,000 |
| Decrease in number of authorised shares upon the Share Consolidation (<i>Note (a)</i>) | (9,600,000) | – |
| | <u>400,000</u> | <u>100,000</u> |
| Issued and fully paid: | | |
| At 1 January 2023, ordinary shares of HK\$0.01 each | 3,196,223 | 31,962 |
| Issue of shares upon exercise of share options (<i>Note (b)</i>) | 14,000 | 140 |
| | <u>3,210,223</u> | <u>32,102</u> |
| At 31 December 2023 and 1 January 2024, ordinary shares of HK\$0.01 each | 3,210,223 | 32,102 |
| Issue of shares upon exercise of convertible notes (<i>Note 16</i>) | 612,245 | 6,122 |
| Decrease in number of issued shares upon the Share Consolidation (<i>Note (a)</i>) | (3,669,569) | – |
| | <u>152,899</u> | <u>38,225</u> |
| At 31 December 2024, ordinary shares of HK\$0.25 each | <u>152,899</u> | <u>38,225</u> |
| | 2024 | 2023 |
| | RMB’000 | RMB’000 |
| Shown in the consolidated statement of financial position at 31 December | <u>35,534</u> | <u>29,865</u> |

Notes:

- a) On 4 July 2024, the Company, among others, proposed to impose (i) share consolidation on the basis that every twenty-five (25) issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company into one (1) share of par value of HK\$0.25 each (“**Consolidated Share(s)**”) (the “**Share Consolidation**”); (ii) capital reduction (following the Share Consolidation) that the issued share capital of the Company will be reduced by cancelling the paid up capital to the extent of HK\$0.24 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.25 to HK\$0.01 (the “**Capital Reduction**”); and (iii) immediately after the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value of HK\$0.25 each be sub-divided into twenty-five (25) new shares of par value of HK\$0.01 each (the “**Share Sub-division**”).

The Share Consolidation became effective on 13 August 2024 and the Capital Reduction and the Share Sub-division became effective on 3 February 2025.

Details of the above capital reorganisation are set out in the Company's announcements dated 4 July 2024, 9 August 2024, 18 November 2024, 3 December 2024, 8 January 2025 and 27 January 2025 and the Company's circular dated 24 July 2024.

- b) During the year ended 31 December 2023, a total of 14,000,000 ordinary shares of HK\$0.01 each were issued upon exercise of 14,000,000 share options at exercise price of HK\$0.084 per share option. The difference of approximately RMB907,000 between the proceeds from exercise of share options of approximately RMB1,030,000 (equivalent to approximately HK\$1,176,000) and the nominal value of share capital of the Company issued of approximately RMB123,000 (equivalent to approximately HK\$140,000) was recognised in share premium reserve.

21. CAPITAL COMMITMENTS

| | 2024 | 2023 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Contracted but not provided for net of deposits paid for acquisition of property, plant and equipment | <u>52,244</u> | <u>–</u> |

EXTRACT OF DRAFT INDEPENDENT AUDITOR’S REPORT

The following is an extract of the draft independent auditor’s report on the Group’s draft consolidated financial statements for the year ended 31 December 2024.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “*Basis for Qualified Opinion*” section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Provision for litigation

Due to the uncertainties in relation to the litigation as disclosed in Note 43 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence to assess whether any provision should be provided in relation to the litigation at 31 December 2024 and 2023 and the profit or loss effect on any provision for the litigation should be reported for the years ended 31 December 2024 and 2023.

We were unable to determine whether any adjustments to the figures as described above were necessary which might have a consequential effect on the Group’s financial performance and the elements making up its consolidated statement of changes in equity and its consolidated cash flow statement for the years ended 31 December 2024 and 2023 and the financial position of the Group at 31 December 2024 and 2023, and the related disclosures thereof in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2024 (the “**Reporting Period**”), the Group was principally engaged in three businesses: (i) pharmaceutical products business; (ii) finance leasing business; (iii) genetic testing and molecular diagnostic services (ceased business since 1 June 2024 and was reclassified as a discontinued operation). The three businesses are stated as below:

Pharmaceutical Products Business

Since August 2022, Fujian Rui Chuang Health Industry Company Limited* (福建瑞創健康產業有限公司) (“**Fujian Rui Chuang**”), the Company’s indirect wholly-owned subsidiary, has remained to be the core production centre as well as the exclusive sales channel of the Group’s own developed pharmaceutical products during the Reporting Period. The very substantial increase in the general cost as well as a shortage in the volume of supply of traditional Chinese herbal materials in the PRC since the start of the year of 2023 which has adversely affected the gross profit margin as well as the volume of the sales of our own developed pharmaceutical products continued in the Reporting Period. In view of the continuous deterioration in gross profit margin and the gradual decrease in the sales volume of our own developed pharmaceutical products, the management has decided to downsize the production capacity of Fujian Rui Chuang in 2025, as such a write-off of RMB1,780,000 and RMB731,000 of Fujian Rui Chuang’s property, plant and equipment and right-of-use assets respectively have been made.

Fujian Zhixin Medicine Co., Limited* (福建至信醫藥有限公司) (“**Fujian Zhixin**”), an indirect wholly-owned subsidiary of the Company, acts as a sales agent nationwide for herbal medical materials, Chinese herbal medicine, Chinese patent medicine, chemical drug preparations, antibiotic preparations, biochemical pharmaceuticals, biological products, healthcare products and food products.

During the Reporting Period, the revenue derived from the pharmaceutical products business decreased by 15.39% to approximately RMB85.05 million (2023: approximately RMB100.52 million). The profit derived from the pharmaceutical products business decreased to RMB3.68 million for the Reporting Period, representing a decrease of approximately 81.43% as compared to RMB19.82 million for the corresponding period in 2023.

Finance Leasing Business

The operation of the finance leasing business has been centralized in an indirect wholly-owned subsidiary of the Company, Union Development Financial Leasing (Shenzhen) Company Limited* (聯合發展融資租賃(深圳)有限公司)(“**Union Development**”). The revenue derived from finance leasing business of the Group for the Reporting Period was RMB0.17 million (2023: RMB7.25 million) as most of the subsisting finance leasing contracts have expired and promptly settled before the beginning of the year 2024 and that the Group, having adopted a more prudent and cautious approach in the evaluation and granting of new finance leasing loans, had not entered into any new finance leasing contracts in the Reporting Period. Hence, the Group had nil customer as at 31 December 2024 (31 December 2023: 2 customers).

Business Model and Customer Profiles

The Group’s finance leasing business mainly provides financial leasing services of medical devices and rehabilitation equipment which are complimentary to the Group’s existing pharmaceutical products business. The business of the lessees of our finance leases were generally in the medical industry, pharmaceutical industry and public infrastructure industry. However, the Group’s finance leasing services are not intended to be limited to any particular business or industry. Further, the products manufactured by the leased medical devices and rehabilitation equipment are not related to the business of the Group. The Group also does not preclude the possibility of providing financial leasing services for other types of devices and equipments.

Credit Risk Assessment

The potential lessee will first approach Union Development to confirm whether the equipment or devices fall within the scope in which financial leasing can be arranged. The management of Union Development will conduct site visits and carry out due diligence on the potential lessee, the equipment or devices proposed to be leased, 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 assets proposed to be leased, the financial conditions of the potential lessee, the ultimate beneficial owner(s) of the potential lessee and other relevant factors to assess the repayment capability of the potential lessee.

Approval Process

If the Group approves the finance lease in principle, the management of Union Development 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 will comply with the requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), including making timely disclosures and obtaining Shareholder’s approval, if necessary.

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

The Board will be responsible for the final approval of material finance lease agreements and delegate one of the executive Directors to liaise with Union Development and directly monitor the finance lease projects with the responsible staff of Union Development, including the review of the due diligence report on the lessees, preparation of the finance lease documents, examination of the assets to be leased and registration of the charges thereto (if necessary), collection of the rental income, review of the risks and assets 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 risks and return of the Group and its sustainability.

Finance Lease Portfolio

The Group has not entered into any new finance leasing agreements during the Reporting Period and hence the weighted average of the term of finance leases entered into by the Group is not applicable for the Reporting Period (2023: 1.6 years). In the past, in the event the lessee breaches the finance lease contract, the Group has the right to use or to sell the leased assets and to call for full or partial repayment of the outstanding balance of finance lease receivables.

The Company will continue to manage and monitor its finance leasing business with a prudent approach in order to maximise the long-term interests of the Shareholders.

Genetic Testing and Molecular Diagnostic Services

On 31 May 2024, the disposal of 59% shareholding in Zentrogene Bioscience Laboratory Limited (“**Zentrogene**”) at a cash consideration of HK\$22 million (the “**Share Disposal**”) was completed and has become a 41%-owned associate of the Group. As explained in the announcement dated 17 April 2024, the Board of the Company, after a review of the performance and strategic positioning of Zentrogene, believes that a partial divestiture would enable the management to reallocate efforts and resources towards its core pharmaceutical business and that this divestment would also provide additional working capital for the Group.

Following the divestment of Zentrogene on 31 May 2024, the genetic testing and molecular diagnostic services has been discontinued as the main business segment of the Group with effect from 1 June 2024.

OUTLOOK

Looking forward to the year of 2025, sustainable economic growth in the PRC remains to be one of the key tones of macroeconomic policies. The Group will study and evaluate the policies and proactively adapt to the changes, consolidate and enhance its competitive advantage and seriously looking for new promising business investment opportunities in the PRC in particular. However, the Group still expects that our business will continue to face numerous challenges as the actual pace and progress of the post-Covid Epidemic economic recovery in China has not been as promising and encouraging as originally expected and forecasted during the Reporting Period. 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 stable sales revenue. The Group will continue to expand its sales networks in order to enhance its market penetration rate. However, as a result of the significant increase in the cost of traditional Chinese herbal materials in China, the gross profit margin of our own pharmaceutical products will continue to be adversely affected as in the Reporting Period.

For finance leasing business, the expected financial return from interests to be earned in granting financial leasing loans in China was not attractive and sometimes not well justified with the inherent risks of the business. Hence, the Group will closely monitor the development of the finance leasing market as well as the trend of the interest rates in China and will continue to take a prudent and cautious approach in the evaluation and the granting of new finance leasing loans in the year of 2025.

For genetic testing and molecular diagnostic services business, following the partial divestiture of the Company's investment in Zentogene, adding the fact that the Company has been unable to search/identify promising new business or investment opportunity in this business segment, the Company has decided to discontinue this as the main business segment of the Group with effect from 1 June 2024.

The Group will continue to closely monitor the 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 year ended 31 December 2024, the Group generated a total revenue from continuing operations of approximately RMB85.22 million, representing a decrease of approximately 20.92% as compared to approximately RMB107.77 million for the year ended 31 December 2023. The decrease was primarily attributed to the decrease in both the sales of self-manufactured pharmaceutical products as well as the sales of pharmaceutical products of other non-competing pharmaceutical companies, and the substantial decrease in interest income derived from the financial leasing business.

Distribution Costs

For the year ended 31 December 2024, the distribution costs of the Group's continuing operations were approximately RMB6.25 million (2023: approximately RMB0.78 million), representing an increase of approximately RMB5.47 million, most of which represented the distribution costs incurred by the Beijing Hangyang Group during the Reporting Period.

Administrative Expenses

Administrative expenses for the Group's continuing operations amounted to approximately RMB26.05 million for the year ended 31 December 2024 (2023: approximately RMB13.39 million), representing an increase of approximately RMB12.66 million, most of which represented the administrative expenses incurred by the Beijing Hangyang Group during the Reporting Period.

Gross Profit and Gross Profit Margin

Gross profit and gross profit margin of the Group's continuing operations for the year ended 31 December 2024 amounted to approximately RMB16.86 million and 19.78% respectively (2023: approximately RMB29.22 million and 27.12% respectively). Gross profit decreased by approximately RMB12.36 million as compared with the corresponding period in 2023, which was mainly attributable to the decrease in both the sales volume of self-manufactured pharmaceutical products and the significantly lower gross profit margin recorded as a direct result of the very substantial increase in the general costs of traditional Chinese herbal materials in the PRC in the Reporting Period, and the substantial decrease in interest income derived from the financial leasing business which contributed a nearly 100% gross profit margin.

Finance Costs

Finance costs of the Group's continuing operations for the year ended 31 December 2024 amounted to approximately RMB2.20 million (2023: approximately RMB2.03 million). The finance costs mainly represented the interest expenses attributable to the convertible notes issued by the Company on 9 February 2022 and the interest-bearing borrowings.

Profit for the Reporting Period

Profit attributable to owners of the Company was approximately RMB4.89 million for the year ended 31 December 2024, representing a decrease of approximately 73.75% as compared with the profit attributable to owners of the Company of approximately RMB18.63 million in the corresponding period in 2023. The decrease was mainly attributable to the decrease in both the sales volume of self-manufactured pharmaceutical products and the decrease in the resulting gross profit, and the very substantial decrease in interest income derived from the Finance Leasing business in the Reporting Period.

Basic and Diluted Earnings per Share

The basic and diluted earnings per share for the year ended 31 December 2024 was approximately RMB3.37 cent and RMB3.37 cent respectively (2023: approximately RMB14.52 cent and RMB12.73 cent respectively).

Liquidity and Financial Resources

As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB340.43 million (2023: approximately RMB332.47 million) and most cash and cash equivalents were denominated in Renminbi and Hong Kong dollars.

Capital Structure and Gearing Ratio

The consolidation of the issued and unissued existing shares in the share capital of the Company (the “**Share Consolidation**”) on the basis of every twenty-five (25) ordinary shares of HK\$0.01 each prior to the Share Consolidation (the “**Existing Share(s)**”) into one (1) ordinary share of HK\$0.25 each after the Share Consolidation (the “**Consolidated Share(s)**”) became effective on 13 August 2024. As at 31 December 2024, the total issued shares of the Company was 152,898,695 Consolidated Shares (as at 31 December 2023: 3,210,222,500 Existing Shares).

As at 31 December 2024, the share capital and equity attributable to owners of the Company amounted to approximately RMB35.53 million and approximately RMB321.99 million respectively (2023: approximately RMB29.87 million and approximately RMB264.45 million respectively).

The Group had reviewed the capital structure by using gearing ratio. The gearing ratio represents the total debt, which includes trade and other payables of the Group, divided by total equity of the Group. The gearing ratio of the Group was approximately 32.97% as at 31 December 2024 (2023: approximately 39.23%).

Exposure to Fluctuation in Exchange Rates

For the Reporting Period, the Group conducted most of its business transactions in Renminbi. The Group has not experienced any material difficulties or negative impacts on its operations as a result of the fluctuations in currency exchange rates. As at 31 December 2024, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group was not exposed to any material interest and exchange risks during the Reporting Period. The management, however, will monitor and consider hedging foreign currency exposure should the need arise.

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2024, the Group did not have any other significant capital commitment (2023: nil).

Save as disclosed in this announcement, the Group did not have any other significant contingent liabilities as at the date of this announcement.

SIGNIFICANT ACQUISITIONS AND DISPOSAL OF INVESTMENTS

Acquisition of 51% equity interests of Beijing Hangyang Health Technology Co., Ltd.* (北京航洋健康科技有限公司) (“Beijing Hangyang”)

On 1 March 2024, Beijing Bafuluo Technology Co., Ltd.* 北京巴夫羅科技有限公司, an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into a sales and purchase agreement with Mr. Xie Haijing (謝海京), as the vendor, pursuant to which the vendor agreed to sell and the purchaser agreed to purchase, the sales shares representing 51% equity interests in Beijing Hangyang, at a cash consideration of RMB33.15 million. The principal activities of Beijing Hangyang are research, production and sales of health products, functional foods and skincare products in the field of soft capsule dosage form. The management considered that such acquisition will enable the Group to diversify the product portfolio, widen the geographical coverage of products and lower the concentration risk in the procurement of raw materials of the pharmaceutical and healthcare products business. The acquisition was completed on 14 May 2024.

For further details of the aforesaid acquisition, please refer to the announcements of the Company dated 1 March 2024 and 18 March 2024.

Disposal of 59% equity interests of Zentogene Bioscience Laboratory Limited (“Zentogene”)

Sanai International Investment Company Limited (“**Sanai International**”), a wholly-owned subsidiary of the Company, as the vendor, entered into a sales and purchase agreement with Merit Investment Holding Limited, as the purchaser, pursuant to which the vendor has agreed to sell and the purchaser has agreed to purchase, the sales shares representing 59% equity interests in Zentogene for a cash consideration of HK\$22 million upon the terms and conditions set out in the sales and purchase agreements. The Board believed that a partial divestiture would enable the management to reallocate effort and resources towards its core pharmaceutical business and provide additional working capital for the Group. The disposal was completed on 31 May 2024.

For further details of the aforesaid disposal, please refer to the announcement of the Company dated 17 April 2024.

Save for those acquisition and disposals disclosed in this announcement, there were no significant acquisition and disposal of investments during the Reporting Period.

As at 31 December 2024, none of each individual investment held by the Group constituted 5% or above of the total assets of the Group and thus no significant investment was held by the Group.

Save as disclosed in this announcement, there was no other significant acquisition and disposal of investments held during the Reporting Period.

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 Reporting Period.

NUMBER AND REMUNERATION OF EMPLOYEES

For the Reporting Period, the Group employed approximately 164 employees (2023: 68 employees) with total staff cost of approximately RMB16.82 million (2023: approximately RMB8.14 million) from continuing operations. The Group determined staff remuneration with reference to the prevailing market salary scales, individual qualifications and performance. Remuneration packages, including performance bonuses and entitlements to share options, are reviewed on a regular basis.

RETIREMENT BENEFIT SCHEME

During the years ended 31 December 2023 and 2024, the Group had no forfeited contributions under its retirement benefit scheme which may be used to reduce the existing level of contributions.

CAPITAL EXPENDITURE

For the years ended 31 December 2023 and 2024, there was no significant capital expenditure of the Group for property, plant and equipment.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2024, no assets of the Group have been pledged as security for the borrowings of the Group.

As at 31 December 2023, the Group has charged the entire issued share capital of Sanai International, a direct wholly-owned subsidiary of the Company, as security (the “**Share Charges**”) for the convertible notes issued by the Group in February 2022 (the “**Convertible Notes**”) and the Supplemental Deed executed on 3 March 2023. On 23 April 2024, the Convertible Notes was converted and 612,244,897 new ordinary shares were issued and allotted at the adjusted conversion price of HK\$0.098 per share.

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 (collectively, the “**Subscribers**”), and Fujian Sanai and Fujian Zhixin as the obligors (collectively, 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 was charged in favour of Mr. Zhi and Mr. Jiang. Completion of the issue of Convertible Notes took place on 9 February 2022.

On 3 March 2023, the Company has entered into the Supplemental Deed with the Subscribers and the Obligors to (a) amend the conversion price to HK\$0.098 per conversion share; (b) extend the maturity date for 3 years to the fourth anniversary of the date of issue of the Convertible Notes (i.e. 9 February 2026); (c) amend the terms relating to the interest payment date due to extension of the maturity date; (d) execute the deed of release of Account Charge; (e) execute the supplemental deeds to the Share Charges as security in the manner and on the terms set forth therein; and (f) make such consequential amendments to the instrument due to the foregoing changes. As at the date of the Supplemental Deed, the Company has redeemed a total of HK\$12,000,000 of the principal amount of the Convertible Notes and paid all the interest accrued thereon. The total outstanding principal amount of the Convertible Notes as at 31 December 2023 was HK\$60,000,000.

On 23 April 2024, the total outstanding principal amount of the Convertible Notes were converted into ordinary shares at the adjusted conversion price of HK\$0.098 per share, resulting in the issue and allotment of 612,244,897 ordinary shares.

Further details of the Convertible Notes and the Supplemental Deed are set out in the announcements of the Company dated 13 January 2022, 26 January 2022, 31 January 2022, 9 February 2022, 9 February 2023, 3 March 2023 and 20 March 2023 respectively.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2024 (31 December 2023: 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 its staff. The Old Share Option Scheme has already 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 from 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. The said refreshed scheme mandate limits were solely used to 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 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.

ADJUSTMENT TO THE NEW SHARE OPTION SCHEME

Reference is made to the announcement of the Company dated 9 August 2024. As a result of the Share Consolidation (as defined below), the number of the options available for grant under the New Share Option Scheme was adjusted from 132,722,250 to 5,308,890, and the exercise price and the number of shares of the Company to be issued upon exercise of the outstanding Share Options already granted were adjusted with effect from the effective date (i.e. on Tuesday, 13 August 2024) of the Share Consolidation. The exercise price was adjusted from HK\$0.084 to HK\$2.10 for the outstanding Share Options (as defined below) and the number of shares of the Company to be issued upon exercise of the outstanding Share Options were adjusted from 31,000,000 to 1,240,000, on 13 August 2024.

The number of options available for grant under the refreshed mandate of the New Share Option Scheme as at 1 January 2024 and 31 December 2024 was 132,722,250 and 5,308,890 (as a result of the Share Consolidation, the number of the options available for grant will be adjusted to 5,308,890 with effect from the effective date (i.e. 13 August 2024) of the Share Consolidation) respectively. Other than the abovementioned share option schemes, the Company does not have other share schemes. No Share Option was granted during the Reporting Period.

The following table sets out the movements in the share options of the Company (the “Share Options”) during the Reporting Period:

| Category of participant | Number of Share Options | | | | | | Date of grant | Exercise period | Exercise price ⁽³⁾ HK\$ | Closing price of the shares immediately before the date of grant |
|--------------------------|--------------------------|--|-------------------------|---------------------------|--------------------------|-----------------------|---------------|--------------------------------|---------------------------------------|--|
| | As at 1 January 2024 | Adjusted as at 13 August 2024 ⁽³⁾ | Granted during the year | Forfeited during the year | Exercise during the year | At 31 December 2024 | | | | |
| Directors | | | | | | | | | | |
| Mr. Gao Borui (Note 2) | 5,000,000 | 200,000 | - | (200,000) | - | - | 29 April 2022 | 29 April 2022 to 28 April 2032 | 2.10 | 1.95 |
| Professor Zhang Rongqing | 6,000,000 | 240,000 | - | - | - | 240,000 | 29 April 2022 | 29 April 2022 to 28 April 2032 | 2.10 | 1.95 |
| Mr. Xiu Yuan (Note 2) | 10,000,000 | 400,000 | - | (400,000) | - | - | 29 April 2022 | 29 April 2022 to 28 April 2032 | 2.10 | 1.95 |
| | <u>21,000,000</u> | <u>840,000</u> | <u>-</u> | <u>(600,000)</u> | <u>-</u> | <u>240,000</u> | | | | |
| Other participant | | | | | | | | | | |
| Employees in aggregate | 10,000,000 | 400,000 | - | - | - | 400,000 | 29 April 2022 | 29 April 2022 to 28 April 2032 | 2.10 | 1.95 |
| | <u>10,000,000</u> | <u>400,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>400,000</u> | | | | |
| | <u><u>31,000,000</u></u> | <u><u>1,240,000</u></u> | <u><u>-</u></u> | <u><u>(600,000)</u></u> | <u><u>-</u></u> | <u><u>640,000</u></u> | | | | |

Note:

- The Share Options are not subject to any vesting period.
- Mr. Gao Borui and Mr. Xiu Yuan are former directors of the Company both of whom have resigned with effect from 28 June 2024. Accordingly, the share options held by Mr. Gao Borui and Mr. Xiu Yuan have lapsed on 28 September 2024.
- The Share Consolidation on the basis of every twenty five (25) ordinary shares of HK\$0.01 each prior to the Share Consolidation (the Existing Share(s) into one (1) ordinary share of HK\$0.25 each after the Share Consolidation) became effective on 13 August 2024. The exercise price was adjusted from HK\$0.084 to HK\$2.10 for the outstanding Share Options on 13 August 2024. For further details, please refer to the announcement of the Company dated 9 August 2024.

LITIGATION

The Company has received a civil 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 at 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 pays 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, during which resolutions were passed to approve, *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 “**Judgement Amount**”); and the Company, Lin Ouwen and Lin Min shall be jointly liable for the Judgement Amount, and they are entitled to claim against Fujian Sanai Pharmaceutical after discharging 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.

In 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.

On 18 December 2023, the Company has received a 民事裁定書 (civil judgement) (the “**Civil Judgement**”) on the Appeal from the 北京市高級人民法院 (the Higher People’s Court of Beijing*). Pursuant to the Civil Judgement, among other things, (i) the judgement of 北京市第四中級人民法院 (the No. 4 Intermediate Peoples’ Court of Beijing) (the “**Intermediate People’s Court**”) was dismissed; and (ii) the case was returned to the Intermediate People’s Court for retrial.

As at the date of this announcement, the hearing of the retrial at the Intermediate People’s Court (the “**Retrial**”) is in progress.

For further details, please refer to the announcements of the Company dated 18 January 2021, 4 February 2021, 1 June 2023 and 19 December 2023.

EVENTS AFTER THE REPORTING PERIOD

Save for the events disclosed below, there was no other major subsequent events occurred since the Reporting Period up to the date of this announcement.

Capital reduction and Share sub-division

The issued share capital of the Company had been proposed to be reduced by cancelling the paid up capital to the extent of HK\$0.24 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share reduced from HK\$0.25 to HK\$0.01 and each of the authorized but unissued Consolidated Share of par value of HK\$0.25 each be subdivided into twenty-five (25) new shares of par value of HK\$0.01 each (the “**Capital Reduction**”). Immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value of HK\$0.25 each be sub-divided into twenty-five (25) new shares (the “**New Share(s)**”) of par value of HK\$0.01 each (the “**Share Sub-division**”).

On 24 January 2025 (Cayman Islands time), a copy of the order of the Grand Court confirming the Capital Reduction and the Share Sub-division and the minutes approved by the Grand Court containing the particulars required under the Companies Act with respect to the capital reduction were filed and duly registered with the Registrar of Companies in the Cayman Islands.

All the other conditions for the implementation of the Capital Reduction and the Share Sub-division as set out in the circular of the Company dated 24 July 2024 were fulfilled and the Capital Reduction and the Share Sub-division became effective, both before 9:00 a.m. on Monday, 3 February 2025 (Hong Kong time) and the dealing in the New Shares commenced at 9:00 a.m. on Monday, 3 February 2025 (Hong Kong time).

Further details of the above are set out in the announcements of the Company dated 4 July 2024 and 9 August 2024, and the circular of the Company dated 24 July 2024, and the update announcements dated 18 November 2024, 3 December 2024, 8 January 2025 and 27 January 2025.

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 Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 C1 to the Listing Rules during the Reporting Period, except for the deviation below:

In respect of the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company shall be separated and shall not be performed by the same individual. During the Reporting Period, there was no Chairman of the Company and Mr. She Hao is the Deputy Chief Executive Officer of the Company. On the other hand, there are three independent non-executive Directors at the Board, all of them are independent from the Company and the Board believes that there is a sufficient check and balance at the Board. Therefore, the Board considers that 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes of information of the Directors during the Reporting Period are set out below:

- On 28 June 2024, Mr. Gao Borui and Mr. Xiu Yuan has resigned as an executive Director and non-executive Director respectively with effect from 28 June 2024;
- On 28 June 2024, Mr. Xie Haijing has been appointed as an executive Director with effect from 28 June 2024;
- On 10 December 2024, Mr. Zhang Ruigen resigned as an independent non-executive Director with effect from 10 December 2024; and
- On 10 December 2024, Ms. Tsui Yuen Tan has been appointed as an independent non-executive Director with effect from 10 December 2024.

Further details were disclosed in the announcements of the Company dated 28 June 2024 and 10 December 2024.

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 C3 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Upon specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code and its code of conduct regarding Directors’ securities transactions throughout the Reporting Period.

SCOPE OF WORK OF FORVIS MAZARS CPA LIMITED (“FORVIS MAZARS”)

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by the Group’s auditor, Forvis Mazars, to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2024. The work performed by Forvis Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Forvis Mazars on the preliminary announcement.

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 currently comprises three independent non-executive Directors, namely Mr. Khor Khie Liem Alex (“**Mr. Khor**”), Prof. Zhu Yi Zhun and Ms. Tsui Yuen Tan. Mr. Khor serves as the chairman of the Audit Committee, who possesses the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the consolidated financial statements of the Group for the year ended 31 December 2024. They considered that the preparation of the annual results for the year ended 31 December 2024 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be held after despatch of the annual report for the year ended 31 December 2024. A notice of the AGM will be published and despatched to the shareholders of the Company in due course.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules during the Reporting Period.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.1889hk.com) and the annual report of the Company for the Reporting Period will be dispatched to the shareholders of the Company and published on the Company's and the Stock Exchange's websites in due course.

ACKNOWLEDGEMENT

The Group would like to extend its sincere gratitude to the management team and all other employees for their hard work and dedication. Their excellence and commitment are of vital importance in enhancing the Company's sustainability. Finally, the Group would like to take this opportunity to thank our shareholders and all other stakeholders for their continuous support and confidence in us.

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

Hong Kong, 31 March 2025

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Chen Chengqing, Mr. Yuan Chaoyang, Professor Zhang Rongqing, Mr. She Hao and Mr. Xie Haijing, and three independent non-executive directors, namely, Professor Zhu Yi Zhun, Mr. Khor Khie Liem Alex and Ms. Tsui Yuen Tan.