Sanai Health Industry Group Company Limited
三 愛 健 康 產 業 集 團 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1889)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2026

The board (the "**Board**") of directors (the "**Directors**") of Sanai Health Industry Group Company Limited ("**Sanai Health Industry**" or the "**Company**") hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six-month period ended 30 June 2026 (the "**Current Period**"), together with the comparative figures for the corresponding period in 2025.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2026

		Six months ended 30 June	
		2026	2025
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenue	*6*	**43,923**	47,222
Cost of sales and services rendered		**(30,930)**	(40,410)
Gross profit		**12,993**	6,812
Other income (loss) and other gain (loss), net		**1,008**	(220)
Distribution costs		**(3,985)**	(4,256)
Administrative and other expenses		**(16,203)**	(14,517)
Share of profit of associates		**–**	132
Net gain on disposals of subsidiaries		**–**	606
Finance costs	*7*	**(1,631)**	(1,470)
Loss before income tax	*7*	**(7,818)**	(12,913)
Income tax expenses	*8*	**(367)**	(671)
Loss for the period		**(8,185)**	(13,584)
(Loss) Profit for the period attributable to:			
Owners of the Company		**(8,511)**	(11,066)
Non-controlling interests		**326**	(2,518)
		(8,185)	(13,584)
Loss per share			
Basic (RMB cents)	*10*	**(5.57)**	(7.24)
Diluted (RMB cents)	*10*	**(5.57)**	(7.24)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
		(Restated)
Loss for the period	**(8,185)**	(13,584)
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(923)**	(5,106)
Total comprehensive loss for the period	**(9,108)**	(18,690)
Total comprehensive (loss) income for the period attributable to:		
— Owners of the Company	**(9,434)**	(16,172)
— Non-controlling interests	**326**	(2,518)
	(9,108)	(18,690)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026

	Note	At 30 June 2026 *RMB'000*	At 31 December 2025 *RMB'000* (Restated)	At 1 January 2025 *RMB'000* (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	**55,042**	56,124	63,479
Right-of-use assets	*11*	**19,480**	20,049	36,258
Intangible assets		**128**	136	–
Goodwill		**1,732**	1,732	1,732
Investments in associates		**–**	–	1,952
		76,382	78,041	103,421
CURRENT ASSETS				
Inventories		**3,269**	4,650	9,865
Trade and other receivables	*12*	**47,431**	31,831	14,993
Financial assets at fair value through profit or loss ("**FVPL**")		**255**	8,422	140
Tax recoverable		**200**	190	119
Cash and cash equivalents		**315,175**	298,596	340,426
		366,330	343,689	365,543
CURRENT LIABILITIES				
Trade and other payables	*13*	**75,542**	52,875	74,003
Compensation payable for litigation	*3*	**120,248**	119,070	118,658
Interest-bearing borrowings	*14*	**46,952**	41,601	38,919
Lease liabilities		**543**	805	738
Tax payables		**1,156**	327	573
		244,441	214,678	232,891

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2026

	Note	At 30 June 2026 *RMB'000*	At 31 December 2025 *RMB'000* (Restated)	At 1 January 2025 *RMB'000* (Restated)
NET CURRENT ASSETS		**121,889**	129,011	132,652
TOTAL ASSETS LESS CURRENT LIABILITIES		**198,271**	207,052	236,073
NON-CURRENT LIABILITIES				
Lease liabilities		**162**	195	763
Interest-bearing borrowings	*14*	**1,389**	1,443	1,507
Deferred tax liabilities		**751**	384	855
		2,302	2,022	3,125
NET ASSETS		**195,969**	205,030	232,948
CAPITAL AND RESERVES				
Share capital	*15*	**1,421**	1,421	35,534
Reserves		**168,339**	177,770	167,795
Equity attributable to owners of the Company		**169,760**	179,191	203,329
Non-controlling interests		**26,209**	25,839	29,619
TOTAL EQUITY		**195,969**	205,030	232,948

NOTES

1. GENERAL INFORMATION

Sanai Health Industry Group Company Limited (the "**Company**") was incorporated in the Cayman Islands on 21 March 2006 and registered as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Cayman Companies Law**") and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 February 2007. The 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 Company is an investment holding company. The Company and its subsidiaries are collectively referred to as the "**Group**". The principal activities of the Group are the development, manufacturing, marketing and sales of pharmaceutical products and the provision of finance leasing services.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

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

The unaudited condensed consolidated financial statements have been prepared on historical basis except for financial assets at FVPL which is stated at fair value.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2025 annual audited financial statements (the "**2025 Audited Financial Statements**"). The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual audited financial statements for the year ended 31 December 2025.

3. PRIOR YEAR ADJUSTMENTS

Background

As referred to the announcement of the Company dated 18 January 2021, 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 "**Intermediate People's Court**") in relation to a 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) then subsidiary of the Company, Fujian Sanai Pharmaceutical Company Limited ("**Fujian Sanai**") which was disposed of in April 2019; (c) Lin Ouwen, a former executive director of the Company; and (d) Lin Min, a former executive director of the Company.

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

The Company lodged the first appeal (the "**First Appeal**") with the 北京市高級人民法院(the Higher People's Court of Beijing*) (the "**Higher People's Court**") on 22 January 2021, arguing that the finance lease agreement and the guarantee were invalid and seeking dismissal of the Plaintiff's claims. On 18 December 2023, the Higher People's Court allowed the appeal, set aside the original judgment, and remitted the case to the Intermediate People's Court for retrial (the "**Retrial**").

Following the Retrial, the Intermediate People's Court issued a civil judgment (the "**Second Civil Judgement**") dated 29 April 2025, affirming Fujian Sanai's liability for the outstanding principal, default interest, default payment, legal fees and preservation insurance fees, and again holding the Company, Mr. Lin Ouwen and Mr. Lin Min jointly liable for such amounts.

The Company subsequently filed the second appeal (the "**Second Appeal**") with the Higher People's Court on 23 May 2025, maintaining its position that the finance lease agreement and the guarantee were invalid and requesting that all claims against it be dismissed.

Based on the assessment at that time, the directors of the Company were of the view that no provision should be provided concerning the Litigation in light of the basis as stated in the First Appeal or Second Appeal. In addition, the result of the Second Appeal was not yet available up to the date of approving the 2025 Audited Financial Statements which led to the uncertainties on the extent of financial impact arising from the Litigation on the 2025 Audited Financial Statements.

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

Update of the Litigation in current period

The Company received a civil judgement (the "**Final Civil Judgement**") regarding the Second Appeal from the Higher People's Court dated 27 April 2026. Pursuant to the Final Civil Judgement, among other things, it is affirmed that Fujian Sanai shall pay the final litigation amount of the outstanding principal under the Finance Lease Agreement of RMB59,321,569.17, the interest of RMB3,115,736.04, the outstanding default interest of RMB53,981,238.73, the default payment of RMB2,781,526.77, the legal fees of RMB800,000 and preservation insurance fees of RMB175,636.06 (collectively the "**Final Litigation Amount**") owed by Fujian Sanai to the Plaintiff; and the Company, Lin Ouwen and Lin Min shall be jointly liable for the Final Litigation Amount, and they are entitled to claim against Fujian Sanai after discharging of such joint liabilities. The decisions stated in the Final Civil Judgment are final.

Following the Final Civil Judgement issued in April 2026, which confirmed the Company's joint liability in respect of the Litigation, the Company's directors reassessed the accounting treatment adopted in prior years. As the underlying conditions giving rise to the obligations existed in prior years and the uncertainties were only resolved subsequent to the approval of the 2025 Audited Financial Statements, the Company's directors determined that the compensation payable for the Litigation should have been recognised in the respective years' financial statements. Accordingly, a prior year adjustment has been recognised to record the compensation payable for the Litigation, with corresponding restatement of the comparative financial information, in order to reflect the financial effect of the Final Civil Judgement on the Group's financial position and results.

The following tables disclose the restatements that have been made in order to reflect the above corrections to each of the line items in (a) the condensed consolidated statement of profit or loss for the six months ended 30 June 2025 and (b) the consolidated statement of financial position at 31 December 2025 and 1 January 2025 and as previously reported.

(a) the condensed consolidated statement of profit or loss

For the six months ended 30 June 2025

	As previously reported *RMB'000*	**As restated** *RMB'000*	**Increase** *RMB'000*
Finance costs			
Interest on the unpaid due rent in relation to the Litigation	—	205	205
Increase in loss for the period			205

(b) the consolidated statement of financial position

At 31 December 2025

	As previously reported *RMB'000*	As restated *RMB'000*	Increase (Decrease) *RMB'000*
Current liabilities			
Compensation payable for litigation	—	119,070	119,070
Capital and reserves			
Reserves	296,840	177,770	(119,070)
Decrease in net assets and total equity			(119,070)

At 1 January 2025

	As previously reported *RMB'000*	As restated *RMB'000*	Increase (Decrease) *RMB'000*
Current liabilities			
Compensation payable for litigation	—	118,658	118,658
Capital and reserves			
Reserves	286,453	167,795	(118,658)
Decrease in net assets and total equity			(118,658)

4. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

In the current period, the Group has adopted all the new and revised HKFRS Accounting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2026. HKFRS Accounting Standards comprise all applicable individual Hong Kong Financial Reporting Standards, HKAS and Interpretations issued by the HKICPA. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior reporting periods.

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

5. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the board of the Company (the "**Board**") (the chief operating decision maker) for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Pharmaceutical products: development, manufacturing, marketing and sales of pharmaceutical products, sales of pharmaceutical related software and provision of consultancy services; and

(ii) Finance leasing: provision of finance leasing services.

Information regarding the Group's reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2026 and 2025 is set out below:

For the six months ended 30 June 2026

	Pharmaceutical products *RMB'000*	**Finance leasing** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue from external customers	**43,923**	**–**	**43,923**
Reportable segment profit	**651**	**–**	**651**

For the six months ended 30 June 2025

	Pharmaceutical products *RMB'000*	Finance leasing *RMB'000*	Total *RMB'000*
Reportable segment revenue from external customers	47,222	–	47,222
Reportable segment loss	(5,721)	–	(5,721)

There are no inter-segment sales for the six-month periods ended 30 June 2026 and 2025.

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

(i) Revenue from external customers

The following sets out information about the geographical location of the Group's revenue from external customers, based on the location at which the services were provided or the goods delivered.

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
The People's Republic of China (the "**PRC**")	**43,923**	47,222

(ii) Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
		(Restated)
Total reportable segment profit (loss) derived from the Group's external customers	**651**	(5,721)
Other income and other gain, net	**1,008**	302
Share of results of associates	**–**	132
Net gain on disposals of subsidiaries	**–**	606
Unallocated head office and corporate expenses		
— staff costs (including directors' emoluments)	**(1,886)**	(2,456)
— exchange loss, net	**–**	–
— others	**(5,960)**	(4,306)
— finance costs	**(1,631)**	(1,470)
Consolidated loss before income tax for the period	**(7,818)**	(12,913)

The following table presents segment assets and segment liabilities of the Group's operating segments at 30 June 2026 and 31 December 2025:

At 30 June 2026

	Pharmaceutical products *RMB'000*	**Finance leasing** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**96,402**	**–**	**96,402**
Reportable segment liabilities	**(47,477)**	**–**	**(47,477)**

At 31 December 2025

	Pharmaceutical products *RMB'000*	Finance leasing *RMB'000*	Total *RMB'000*
Reportable segment assets	90,655	–	90,655
Reportable segment liabilities	(36,053)	–	(36,053)

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 other payables attributable to the activities of the individual segments.

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

6. REVENUE

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Revenue from contracts with customers		
— At a point in time		
Sales of pharmaceutical products	**43,923**	47,222

The revenue from contracts with customers of the Group during the six months ended 30 June 2026 and 2025 are recognised within HKFRS 15.

7. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
		(Restated)
Finance costs		
Interest expenses on:		
— interest-bearing borrowings	**1,429**	1,265
— interest on the unpaid due rent in relation to the Litigation	**202**	205
	1,631	1,470
Other items		
Depreciation of property, plant and equipment	**1,239**	1,088
Cost of inventories	**29,549**	33,296

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")	**367**	143
Deferred taxation	**–**	528
	367	671
Hong Kong Profits Tax	**–**	–
	367	671

For PRC subsidiaries of the Group, PRC EIT is calculated at 25% (30 June 2025: 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 has been recognised as High and New Technology Enterprise (the "**HNTE**") and is entitled to a preferential tax rate of 15% during the six months ended 30 June 2026. 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. Beijing Hangyang has submitted the application for renewal of the High and New Technology Enterprise Status and, in the opinion of the management of the Group, the renewal process is expected to be completed in 2026.

For the Hong Kong subsidiaries of the Group, the assessable profits of the Group is subject to the two tiered profits tax rates regime that the first HK$2 million of assessable profits will be taxed at 8.25% and assessable profits above HK$2 million will be taxed at 16.5% under Hong Kong Profits Tax for the six months ended 30 June 2026. Hong Kong Profits Tax has not been provided as the Group had no assessable profits for the six months ended 30 June 2026.

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

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2026 and 2025.

* English name is translated for identification purpose only.

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
		(Restated)
Loss:		
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	**(8,511)**	(11,066)
Loss for the period attributable to the owners of the Company for the purpose of diluted loss per share	**(8,511)**	(11,066)
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**152,899**	152,899

The computation of diluted loss 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 six months ended 30 June 2026 and 2025.

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

During the six months ended 30 June 2026, the Group did not acquire or dispose of any property, plant and equipment or right-of-use assets from independent third parties.

During the six months ended 30 June 2025, the Group acquired property, plant and equipment of approximately RMB41,000 from independent third parties.

During the six months ended 30 June 2025, the Group disposed of property, plant and equipment of approximately RMB29,000 and right-of-use assets of Nil through disposals of subsidiaries.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2026 *RMB'000*	At 31 December 2025 *RMB'000*
Trade receivables (net of loss allowance) *(Note (b))*	**15,059**	3,560
Other receivables	**8,104**	2,901
Amount due from a related company *(Note (c))*	**2**	3
Security deposits *(Note (d))*	**23,627**	23,627
Prepayments and deposits	**145**	1,336
Other tax recoverable	**494**	404
	47,431	31,831

Notes:

(a) At 30 June 2026, 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 180 days *(31 December 2025: 30 to 180 days)* to its customers. The ageing analysis of trade receivables (net of loss allowance) presented based on the invoice date is as follows:

	At 30 June 2026 *RMB'000*	At 31 December 2025 *RMB'000*
Within 30 days	**10,312**	3,349
31 to 60 days	**4,747**	211
	15,059	3,560

(c) The amount due from a related company is unsecured, interest-free and repayable on demand.

(d) The security deposits are pledged to an independent third party lender for the interest-bearing borrowings of approximately RMB16,952,000 *(31 December 2025: approximately RMB17,601,000) (Note 14)*.

13. TRADE AND OTHER PAYABLES

	At 30 June 2026 *RMB'000*	At 31 December 2025 *RMB'000*
Trade payables	**12,902**	7,110
Payroll and welfare payables	**7,015**	7,739
Accrued expenses	**4,987**	3,368
Other payables	**41,768**	25,736
Other tax payables	**784**	176
Contract liabilities	**–**	588
Interest payables *(Note (a))*	**5,576**	4,676
Amounts due to directors *(Note (b))*	**590**	590
Amount due to an associate *(Note (c))*	**1,920**	2,892
	75,542	52,875

The trade payables were unsecured, interest-free and with normal credit terms up to 60 days *(2025 interim: 60 days)*.

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

	At 30 June 2026 *RMB'000*	At 31 December 2025 *RMB'000*
Within 30 days	**5,145**	3,202
31 to 60 days	**5,538**	1,710
61 to 90 days	**307**	682
91 to 120 days	**—**	—
121 to 365 days	**630**	1,120
Over 365 days	**1,282**	396
	12,902	7,110

Notes:

(a) Interest payables at 30 June 2026 included approximately RMB1,685,000 *(31 December 2025: approximately RMB1,749,000)* related to convertible notes which were fully converted and approximately RMB3,891,000 *(31 December 2025: approximately RMB2,927,000)* related to interest-bearing borrowings.

(b) The amounts due to directors are non-trade in nature, unsecured, interest-free and repayable on demand.

(c) The amount due to an associate is non-trade in nature, unsecured, interest-free and repayable on demand.

14. INTEREST-BEARING BORROWINGS

	At 30 June 2026 *RMB'000*	At 31 December 2025 *RMB'000*
Unsecured borrowings		
– Fixed–rate other borrowings	**1,389**	1,443
Secured and/or guaranteed borrowings		
– Fixed–rate other borrowings *(Note (a))*	**16,952**	17,601
– Variable–rate bank loans *(Note (b))*	**30,000**	24,000
	48,341	43,044
Carrying amounts of the interest–bearing borrowings are repayable *(Remark):*		
– On demand or less than 1 year	**46,952**	41,601
– 1 to 2 years	**1,389**	1,443
	48,341	43,044
Less: Amounts shown in current liabilities	**(46,952)**	(41,601)
Amounts shown in non–current liabilities	**1,389**	1,443

Remark: At 30 June 2026, the interest–bearing borrowings of approximately RMB30,000,000 *(31 December 2025: approximately RMB24,000,000)*, 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 ranges of effective interest rates on the Group's borrowings are as follows:

	At 30 June 2026 *%*	At 31 December 2025 *%*
Fixed–rate borrowings	**8.00 – 12.00**	8.00 – 12.00
Variable–rate borrowings	**3.25 – 3.35**	3.25 – 3.35

Notes:

(a) At 30 June 2026, the other borrowings from an independent third party lender are secured by a deposit of approximately RMB23,627,000 *(31 December 2025: approximately RMB23,627,000) (Note 12)*.

(b) At 30 June 2026, the bank borrowings of approximately RMB30,000,000 *(31 December 2025: approximately RMB24,000,000)* are guaranteed by a financial institution (an independent third party) and the Group has pledged the right–of–use assets with carrying amount of approximately RMB11,755,000 *(31 December 2025: approximately RMB11,945,000)* and the buildings of a net carrying amount of approximately RMB1,993,000 *(31 December 2025: approximately RMB2,073,000)* to the financial institution.

15. SHARE CAPITAL

	Number of ordinary shares ('000)	Amount HK$'000
Authorised:		
At 1 January 2025, ordinary shares of HK$0.25 each	400,000	100,000
Increase in number of authorised shares upon the Capital Reduction and Share Sub-division *(Note)*	9,600,000	–
At 31 December 2025 and 30 June 2026, ordinary shares of HK$0.01 each	**10,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2025, ordinary shares of HK$0.25 each	152,899	38,224
Decrease in amount of issued shares upon the Capital Reduction and Share Sub-division *(Note)*	–	(36,695)
At 31 December 2025 and 30 June 2026, ordinary shares of HK$0.01 each	**152,899**	**1,529**

	At 30 June 2026 ***RMB'000***	At 31 December 2025 *RMB'000*
Shown in the condensed consolidated statement of financial position	**1,421**	1,421

Note:

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 reducted 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.

16. MATERIAL RELATED PARTY TRANSACTIONS

The details of remuneration of key management personnel, representing amounts paid to the directors of the Company during the six months ended 30 June 2026 and 2025, are set out as follows:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Short-term employee benefits	**884**	1,197

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Current Period, the Group was principally engaged in two businesses: (i) pharmaceutical products business and (ii) finance leasing business. The two 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 Current Period. As highlighted in the Company's 2025 Annual Report, the negative impact to our pharmaceutical products business brought by a 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 has continued in the first half of 2026, which has still adversely affected the gross profit margin as well as the volume of sales of our own developed pharmaceutical products in the Current Period. 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 were made during the year ended 31 December 2024.

On the other hand, following the completion of the acquisition of a controlling 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 14 May 2024, Beijing Hangyang has become a significant revenue contributor to the Company's pharmaceutical product business, accounted for approximately 80.10% (2025 interim: 64.48%) of the Company's total revenue generated in the pharmaceutical product business in the Current Period.

Due to the significant drop in business and continuous operating losses recorded in recent years, the Company has disposed of its 100% equity interests in 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, to an independent third party on 28 March 2025. Fujian Zhixin has not generated any sales revenue for the Group during the six months period ended 30 June 2025.

During the Current Period, the revenue derived from the pharmaceutical products business decreased by 7.0% to approximately RMB43.92 million (2025 interim: approximately RMB47.22 million). The profit of the pharmaceutical products business was approximately RMB0.65 million for the Current Period (2025 interim: loss of approximately RMB5.72 million).

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Finance Leasing Business

The operation of the finance leasing business has been centralized in an indirect wholly-owned subsidiary of the Company, Union Development finance leasing (Shenzhen) Company Limited* (聯合發展融資租賃 (深圳) 有限公司) ("**Union Development**"). The revenue derived from the finance leasing business of the Group for the Current Period was nil (2025 interim: nil) as all 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 Current Period. Hence, the Group has nil customer as at 30 June 2026 (30 June 2025: nil).

Business Model and Customer Profiles

The Group's finance leasing business mainly provides financial leasing services of medical devices and rehabilitation equipment which are complementary to the Group's existing pharmaceutical products business. The business of the lessees of our current 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. 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 equipment.

Credit Risk Assessment

The potential lessee will first approach Union Development to confirm whether the equipment or devices fall within the scope in which financing 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.

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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 seeking Shareholder's approval, if necessary.

The Group has established several departments and a committee (namely, business department, risk department, finance department and 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 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, treatment of leased assets and post-lease agreement follow ups.

The Board will be responsible for the final approval of material finance lease agreements and delegate one of the executive Directors to liaise with Union Development and directly monitor the finance lease projects together with the responsible staff of Union Development, including the review of the due diligence report on the lessees, drafting of the finance lease documents, examination of the leased assets 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 agreement during the Current Period and hence the weighted average of the term of finance leases entered into by the Group is not applicable for the Current Period (2025 interim: not applicable). 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.

OUTLOOK

As we progress into the second half of 2026, the Group remains firmly committed to navigating the evolving economic environment with a focus on sustainable growth. The macroeconomic landscape in the PRC continues to be central to our strategic planning, and we will proactively assess both opportunities and challenges arising from prevailing market trends and government policies. Our objective is to consolidate competitive strengths while selectively pursuing new investment opportunities in the PRC. By leveraging emerging technologies and innovative practices, we aim to further enhance our market position.

We recognize that shifting consumer preferences and the rising demand for sustainable products will continue to shape our strategies. Businesses that prioritize sustainability and social responsibility are increasingly well-positioned to capture growth, and we are committed to aligning our operations with these values to resonate with a more conscious consumer base.

To reinforce financial performance, the Group will maintain stringent cost control measures while adopting a flexible approach to resource allocation. Investments in digital transformation and operational efficiency will remain a priority, driving productivity gains and cost reductions across our operations.

For the pharmaceutical products business, following the completion of the acquisition of Beijing Hangyang, the Group achieved profit in the first half of 2026 and expects stable momentum in the second half.

For the finance leasing business, the expected returns from interest income on new leasing loans remain unattractive relative to the inherent risks of the sector. The Group will therefore continue to closely monitor market developments and interest rate trends in China, adopting a prudent and cautious approach in granting new loans in the near term.

Looking ahead, while challenges persist, our commitment to sustainable growth in the PRC will guide our actions in the second half of 2026. By focusing on adaptability, sustainability, and disciplined resource management, we remain confident in our ability to navigate market complexities and deliver long-term value to shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2026, the Group generated a total revenue of approximately RMB43.92 million, representing a decrease of approximately 7.0% as compared to approximately RMB47.22 million in the corresponding period in 2025. The decrease was primarily attributed to the decrease in the revenue generated in the sales of relatively low profit margin pharmaceutical products by Fujian Rui Chuang in the Current Period.

Distribution Costs

For the six months ended 30 June 2026, the distribution costs of the Group were approximately RMB3.99 million (2025 interim: approximately RMB4.26 million). The decrease was commensurate with the decrease in revenue generated in the Current Period.

Administrative Expenses

Administrative expenses remained relatively stable at approximately RMB16.20 million for the six months ended 30 June 2026 (2025 interim: approximately RMB14.52 million).

Gross Profit and Gross Profit Margin

Gross profit and gross profit margin for the six months ended 30 June 2026 amounted to approximately RMB12.99 million and 29.58% respectively (2025 interim: approximately RMB6.81 million and 14.4% respectively). The increase in gross profit margin was mainly attributable to the increase in sales of relatively high profit margin pharmaceutical products by Beijing Hangyang combined with a decrease in sales of relatively low profit margin pharmaceutical products by Fujian Rui Chuang in the Current Period.

Finance Costs

Finance costs for the six months ended 30 June 2026 amounted to approximately RMB1.63 million (2025 interim: RMB1.47 million). The finance costs represented interest expenses attributable to the interest-bearing borrowings and default interest on the unpaid due rent for the Current Period and the last prevailing period as shown in note 7 of this announcement.

Loss for the Current Period

Loss attributable to owners of the Company was approximately RMB8.51 million for the six months ended 30 June 2026 (2025 interim: loss of approximately RMB11.07 million).

Basic and Diluted Loss per Share

The basic and diluted loss per share for the six months ended 30 June 2026 was approximately RMB5.57 cents and approximately RMB5.57 cents respectively (2025 interim: the basic and diluted loss per share of approximately RMB7.24 cents and approximately RMB7.24 cents respectively).

Liquidity and Financial Resources

As at 30 June 2026, the Group had cash and cash equivalents of approximately RMB315.18 million (as at 31 December 2025: approximately RMB298.60 million) and most cash and cash equivalents were denominated in Renminbi and Hong Kong dollars.

Capital Structure and Gearing Ratio

As at 30 June 2026, the total number of issued shares of the Company was 152,898,695 shares (as at 31 December 2025: 152,898,695 shares).

As at 30 June 2026, the share capital and equity attributable to owners of the Company amounted to approximately RMB1.42 million (after Capital Reduction as shown in Note 15 of this announcement) and approximately RMB169.76 million respectively (as at 31 December 2025: approximately RMB1.42 million and approximately RMB179.19 million respectively).

The Group has reviewed the capital structure by using gearing ratio. The gearing ratio represents the total debt, which includes trade and other payables and interest-bearing borrowings of the Group, divided by the total equity of the Group. The gearing ratio of the Group was approximately 124.94% as at 30 June 2026 (as at 31 December 2025: approximately 105.35%).

Exposure to Fluctuation in Exchange Rates

During the Current Period, the Group conducted most of its business transactions in Renminbi. The Group had not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. Therefore, the Group was not exposed to any material interest and foreign exchange risks during the Current Period. As at 30 June 2026, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. However, the management will monitor and consider hedging foreign currency exposure should the need arise.

SIGNIFICANT ACQUISITION AND DISPOSALS OF INVESTMENTS

There was no significant acquisition and disposal of investments held during the Current Period.

NUMBER AND REMUNERATION OF EMPLOYEES

For the six months ended 30 June 2026, the Group employed approximately 140 employees (2025 interim: 147 employees) with a total staff cost of approximately RMB5.94 million (2025 interim: approximately RMB6.22 million). The Group recruits and selects candidates for employment based on their qualifications and suitability for each position. The Group determined staff remuneration with reference to the prevailing market salary scales, individual qualifications and performance. Remuneration packages including salaries, contribution to pension schemes, performance bonuses and entitlements to share options, are reviewed on a regular basis.

CAPITAL EXPENDITURE

During the six months ended 30 June 2026, the Group did not have significant capital expenditure for property, plant and equipment.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2026, save as disclosed in Note 14 of this announcement, no other assets of the Group have been pledged as security for the borrowings of the Group.

CONTINGENT LIABILITIES

As at 30 June 2026, the Group did not have any material contingent liabilities (30 June 2025: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS, ACQUISITIONS AND CAPITAL ASSETS

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

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2026 (2025 interim: Nil).

SHARE OPTION SCHEME

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

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

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

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, 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 2026 and 30 June 2026 was 5,308,890 and 5,308,890 respectively. Other than the abovementioned share option schemes, the Company does not have other share schemes. No Share Option was granted during the Current Period.

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

	Number of Share Options									
Category of participants	At 1 January 2026 (Note 1)	Granted during the period	Cancelled or lapsed during the period	Forfeited during the period	Exercised during the period	At 30 June 2026	Date of grant	Exercise period	Exercise Price HK$	Closing price of the shares immediately before the date of grant HK$
Other participant										
Employees in aggregate	400,000	–	–	–	–	400,000	29 April 2022	29 April 2022 to 28 April 2032	2.10	1.95
	400,000	–	–	–	–	400,000				

Note:

1. The Share Options are not subject to any vesting period.

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

The Plaintiff also submitted to the Court a copy of the alleged minutes of the Board meeting held on 22 March 2016 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.

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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 accumulated 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 People's Court of Beijing) (the "**Intermediate People's Court**") was dismissed; and (ii) the case was returned to the Intermediate People's Court for retrial.

The case regarding the Litigation has been returned to the Intermediate People's Court for retrial (the "**Retrial**"). On 29 April 2025, the Company has received a 民事判決書 (civil judgement) (the "**Second Civil Judgement**") on the Retrial from 北京市第四中級人民法院 (the No. 4 Intermediate People's Court of Beijing*). Pursuant to the Second Civil Judgement, among other things, the payment obligation including the outstanding principal under the Finance Lease Agreement in the amount of RMB67,371,546.21, the outstanding default interest in the amount of RMB57,636,357.78, the default payment in the amount of RMB 2,904,331.80, the legal fees in the amount of RMB800,000 and preservation insurance fees in the amount of RMB175,636.06 (collectively the "**Litigation Amount**") owed by Fujian Sanai to the Plaintiff is affirmed; and the Company, Lin Ouwen and Lin Min shall be jointly liable for the Litigation Amount, and they are entitled to claim against Fujian Sanai after discharging of such joint liabilities.

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On 23 May 2025, the Company has lodged an appeal (the "**Second Appeal**") against the Second Civil Judgement to 北京市高級人民法院 (the Higher People's Court of Beijing*). Pursuant to the Second 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 and the Guarantee were invalid, and to reject all of the Plaintiff's claims.

As disclosed in the Company's announcement dated 14 May 2026, the Company has received a 民事判決書 (civil judgement) (the "**Final Judgement**") regarding the Second Appeal from 北京市高級人民法院 (the Higher People's Court of Beijing). Pursuant to the Final Judgement, among other things:

(i) the judgement of 北京市第四中級人民法院 (the No. 4 Intermediate People's Court of Beijing) was dismissed;

(ii) the payment obligation including the outstanding principal under the Finance Lease Agreement in the amount of RMB59,321,569.17, the interest in the amount of RMB3,115,736.04, the outstanding default interest in the amount of RMB53,981,238.73, the default payment in the amount of RMB2,781,526.77, the legal fees in the amount of RMB800,000 and preservation insurance fees in the amount of RMB175,636.06 (collectively the "**Final Litigation Amount**") owed by Fujian Sanai to the Plaintiff is affirmed and the Plaintiff shall lawfully declare the aforementioned claim during the winding-up procedures of Fujian Sanai given separate settlement is not permitted;

(iii) the Company, Lin Ouwen and Lin Min shall be jointly liable for the Litigation Amount, and they are entitled to claim against Fujian Sanai during the winding-up procedures of Fujian Sanai after discharging such joint liabilities;

(iv) any other claims made by the Plaintiff were dismissed; and

(v) the decisions stated in the Final Judgement are final.

For further details, please refer to the announcements of the Company dated 18 January 2021, 4 February 2021, 1 June 2023, 19 December 2023, 12 May 2025, 23 May 2025 and 14 May 2026.

In prior financial years, the Group was involved in an outstanding litigation in connection with the Finance Lease Agreement. Due to the pending status of the legal proceedings and the inherent uncertainties regarding the ultimate outcome and financial impact on the Group at the relevant times, the Group's independent auditor had issued a qualified opinion in the auditor's report for prior years owing to a limitation of scope regarding the potential obligations arising from the Litigation.

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Following the issuance of the Final Civil Judgment, the management and the Directors of the Company reassessed the accounting treatment adopted in prior financial periods. In accordance with Hong Kong Accounting Standard 8 (HKAS 8) Accounting Policies, Changes in Accounting Estimates and Errors, as the underlying obligations and conditions giving rise to the compensation payable existed in prior years and the uncertainties were resolved upon the issuance of the final judgment subsequent to the approval of the 2025 Audited Financial Statements, the management confirmed that the compensation payable should be recognized retrospectively in the respective financial periods to which the obligations related.

Accordingly, the Company has recognized prior year adjustments in the financial statements for the six months ended 30 June 2026, restating the comparative financial information, including Condensed Consolidated Statement of Profit or Loss for the six months ended 30 June 2025; and Consolidated Statement of Financial Position as at 31 December 2025 and 1 January 2025.

By confirming and reflecting the financial effect of the Final Civil Judgment through prior year restatements, the management believes that the comparative financial figures now present a true and fair view of the Group's historical financial position and results, and the accounting uncertainties underlying the previous audit qualification have been fully resolved in the current reporting period.

For detailed breakdown and quantitative effects of the restatements on individual line items of the financial statements, please refer to Note 3 to the condensed consolidated financial statements in this announcement.

As of the date of this announcement, the Company has maintained sufficient funds to settle the Final Litigation Amount and is currently liaising with the relevant parties to finalise the settlement arrangement.

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

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

EVENTS AFTER THE CURRENT PERIOD

Save as disclosed elsewhere in this announcement, no important events occurred after the end of the Current Period up to the date of this announcement.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes of information of the Directors subsequent to the date of the Company's 2025 Annual Report are set out below:

– On 20 May 2026, Mr. She Hao resigned as an executive Director and deputy chief executive officer with effect from 20 May 2026.

Further details were disclosed in the announcements of the Company dated 20 May 2026.

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 six months ended 30 June 2026, except for the deviation disclosed 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 Current Period, there is no Chairman of the Company and Mr. She Hao resigned as the Deputy Chief Executive Officer of the Company on 20 May 2026. The Company is in the process of identifying suitable candidates and will make the appointments of chairman and chief executive officer of the Company as and when appropriate. On the other hand, there are three independent non-executive Directors in the Board, all of them are independent from the Company and the Board believes that there is a sufficient check and balance in the Board. Therefore, the Board considers the Company has provided sufficient protection to its interests and the interests of its shareholders. The Board shall review the structure from time to time and shall consider appropriate adjustments should suitable circumstances arise.

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 set out in the Model Code and its code of conduct regarding Directors' securities transactions throughout the Current Period.

AUDIT COMMITTEE

An audit committee has been established by the Company to review the financial reporting process, risk management and internal control systems of the Group. As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Khor Khie Liem Alex, Prof. Zhu Yi Zhun and Ms. Tsui Yuen Tan. Mr. Khor serves as the chairman of the Audit Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the Current Period. They considered that the unaudited condensed consolidated interim financial statements of the Group for the Current Period are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been made.

PUBLICATION OF INTERIM REPORT

The 2026 interim report containing all the information required by the Listing Rules will be despatched to shareholders as well as made available on the Company's website at www.1889hk.com and the Stock Exchange's website at www.hkexnews.hk respectively in due course.

ACKNOWLEDGEMENT

The Group would like to express 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
Xie Hai Jing
Executive Director

Hong Kong, 31 August 2026

As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Yuan Chaoyang 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.