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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)

DISCLOSEABLE TRANSACTIONS FINANCE LEASE ARRANGEMENTS

The Board is pleased to announce that Union Development, an indirect wholly-owned subsidiary of the Company, entered into two Finance Lease Agreements with two independent Lessees on 22 June 2021, pursuant to which Union Development has agreed to purchase the Leased Assets from the Lessees, lease the Leased Assets back to the Lessees for a term of thirty-six (36) months and grant options to the Lessees to repurchase the Leased Assets.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of the Finance Lease Arrangements are more than 5% but less than 25%, each of the Finance Lease Arrangements constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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PRINCIPAL TERMS OF THE FINANCE LEASE AGREEMENTS

Date: 22 June 2021

Parties:

Lessor: Union Development, an indirect wholly-owned subsidiary of the Company
Lessees: 2 companies incorporated under the laws of the PRC with limited liability

Subject matter

Each of the Finance Lease Agreements comprises (i) the purchase of the Leased Assets from the Lessee by Union Development; (ii) the lease back of the Leased Assets from Union Development to the Lessee; and (iii) an option for the Lessee to repurchase the Leased Asset.

The two Finance Lease Agreements are not inter-conditional with each other.

Consideration

The table below sets out the consideration for the purchase of the Leased Assets by Union Development under each of the Finance Lease Agreements:

	Consideration	
	RMB	(Equivalent amount of HK\$ (Approx.))
Finance Lease Agreement I	29,580,000	35,496,000
Finance Lease Agreement II	29,880,000	35,856,000

Pursuant to the Finance Lease Agreements, Union Development has agreed to purchase the Leased Assets from the Lessees at RMB29,580,000.00 (equivalent to approximately HK\$35,496,000.00) and RMB29,880,000.00 (equivalent to approximately HK\$35,856,000.00) respectively. The Consideration will be satisfied by the internal resources of the Group.

Basis of Consideration

The Consideration was determined after arm's length negotiations between Union Development and the respective Lessees on normal commercial terms with reference to the brand, the model and the market price of the Leased Assets.

Lease terms

Union Development will lease back each Leased Assets to the respective Lessees for a term of thirty six (36) months commencing from the date of the Lessee issuing an acknowledgement of receipt of the Leased Assets to Union Development, or if the Lessee does not do so, the date the Lessee receives the Consideration from Union Development (the "**Lease Terms**").

Lease payment and other fees

The lease payment which shall be paid by the Lessee to Union Development during the Lease Terms under each of the Finance Lease Agreements (the "**Lease Payment**") consists of (i) the finance lease principal amount; (ii) the finance lease interest income; and (iii) handling charge. The Lease Payment shall be paid by the Lessee by quarterly instalments payable in accordance with the payment schedules agreed by both parties under each of the Finance Lease Agreements.

The Lease Payment has been agreed after arm's length negotiations between Union Development and the Lessees on normal commercial terms with reference to the Consideration of the Leased Assets paid by Union Development, the creditability of the Lessees, the risk factors and the prevailing market interest rate for finance leases of assets comparable to the Leased Assets.

The table below sets out the finance lease principal amount, the finance lease interest income and the handling charge under each of the Finance Lease Agreements:

Finance Lease Agreement	Finance lease principal amount <i>RMB</i> <i>(Equivalent amount of HK\$ (Approx.))</i>	Finance lease interest income <i>RMB</i> <i>(Equivalent amount of HK\$ (Approx.))</i>	Handling charge <i>RMB</i> <i>(Equivalent amount of HK\$ (Approx.))</i>
Finance Lease Agreement I	29,580,000 (35,496,000)	2,884,050 (3,460,860)	100,000 (120,000)
Finance Lease Agreement II	29,880,000 (35,856,000)	2,328,375 (2,794,050)	100,000 (120,000)

Leased Assets

The Leased Assets under the respective Finance Lease Agreements comprise the following:

Leased Assets	Value as at 22 June 2021 (RMB)
Finance Lease Agreement I One set of "Phillips" Magnetic Resonance Inspection system	32,100,000.00
Finance Lease Agreement II One full set of automated production line for the processing and production of Chinese Herbal Medicine	33,456,789.45

Lessee's right to repurchase the Leased Assets

Upon expiry of the Lease Terms, subject to the Lessees having paid all the Lease Payment and any other payables (if any) to Union Development in accordance with the terms of the Finance Lease Agreements, the Lessees shall have the right to repurchase the Leased Assets at a nominal consideration of RMB1 under Finance Lease Agreement I and RMB100 under Finance Lease Agreement II.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENTS

On 5 January 2017, the Company announced that the Company is currently exploring suitable opportunities to commence and develop the business of provision of financial leasing services in the PRC.

The Finance Lease Arrangements will enable the Group to earn an aggregate income of approximately RMB2.98 million (equivalent to approximately HK\$3.58 million), and approximately RMB2.43 million (equivalent to approximately HK\$2.91 million) over the Lease Terms from the Finance Lease Agreement I and the Finance Lease Agreement II respectively.

The Directors are of the view that the Finance Lease Arrangements have been made on normal commercial terms, and the terms of the Finance Lease Agreements are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION OF UNION DEVELOPMENT AND THE GROUP

Union Development is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business activity of Union Development is the provision of finance lease services in the PRC.

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

INFORMATION OF THE LESSEES

Lessee I is a company incorporated under the laws of the PRC with limited liability, and is principally engaged in the operation of a hospital and the provision of medical consultation and treatment services mainly to women, children and infants resided in the Hong Kong — Shenzhen districts.

Lessee II is a company incorporated under the laws of the PRC with limited liability, and is principally engaged in the processing, production and sales of Chinese herbal medicine products, which have been sold in the PRC local markets as well as to overseas markets in Australia, South Korea, Singapore and Malaysia.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Lessees and their ultimate beneficial owners are Independent Third Parties, and there is no relationship among the Lessees.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of the Finance Lease Arrangements are more than 5% but less than 25%, each of the Finance Lease Arrangements constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	means the board of Directors
“Company”	means Sanai Health Industry Group Company Limited (三愛健康產業集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 1889)
“Consideration”	means the consideration for the purchase of the Leased Assets contemplated under the Finance Lease Agreements
“Director(s)”	means the director(s) of the Company
“Finance Lease Agreement I”	means the finance lease agreement dated 22 June 2021 entered into between Union Development and Lessee I
“Finance Lease Agreement II”	means the finance lease agreement dated 22 June 2021 entered into between Union Development and Lessee II
“Finance Lease Agreements”	means collectively, the Finance Lease Agreement I Finance Lease Agreement II
“Finance Lease Arrangements”	means the purchase of the Leased Assets by Union Development from the Lessees and the lease back of the Leased Assets to the Lessees pursuant to the terms of the Finance Lease Agreements and the option for the Lessee to repurchase the same
“Group”	means the Company and its subsidiaries
“HK\$” or “Hong Kong Dollars”	means Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(-ies)”	means independent third party(-ies) which is/are not connected person(s) of the Company and is/are independent of the Company and its connected persons
“Leased Assets”	means the assets purchased by Union Development from the Lessee under the terms of the Finance Lease Agreements
“Lessee”	means any one of Lessee I and Lessee II

“Lessee I”	means a company incorporated under the laws of the PRC with limited liability, and is principally engaged in the operation of a hospital and the provision of medical consultation and treatment services to women, children and infants
“Lessee II”	means a company incorporated under the laws of the PRC with limited liability, and is principally engaged in the processing, production and sales of Chinese herbal medicine products
“Lessees”	means collectively, the Lessee I and the Lessee II
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	means the People’s Republic of China and for the sole purpose of this announcement, shall exclude Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	means Renminbi, the lawful currency of the PRC
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Union Development”	means Union Development Financial Leasing (Shenzhen) Company Limited* (聯合發展融資租賃(深圳)有限公司), a company with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	means per cent

For the purpose of this announcement, conversion of RMB into HK Dollars is based on the approximate exchange rate of RMB1 to HK\$1.2. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK Dollars or RMB have been, could have been or may be converted at such or any other rate or at all.

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

Hong Kong, 22 June 2021

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Chen Chengqing (Chairman), Mr. Gao Borui, Mr. Yuan Chaoyang, Professor Zhang Rongqing and Mr. She Hao, one non-executive director, namely, Mr. Xiu Yuan and two independent non-executive directors, namely, Professor Zhu Yi Zhun and Mr. Khor Khie Liem, Alex.

* *For identification purpose only*