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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 2021**

**FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2021 decreased by approximately 44.31% to approximately RMB67.61 million (2020: approximately RMB121.40 million).
- Gross profits for the year ended 31 December 2021 was approximately RMB40.56 million (2020: approximately RMB30.92 million).
- Gross profit margin for the year ended 31 December 2021 was approximately 59.99% (2020: approximately 25.47%).
- Profit for the year ended 31 December 2021 amounted to approximately RMB16.88 million (2020: approximately RMB11.49 million).
- Basic and diluted earnings per share attributable to owners of the Company for the year ended 31 December 2021 was approximately RMB0.29 cents (2020: earnings approximately RMB0.21 cents).

## 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 audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**” or the “**Year Under Review**”), together with the comparative figures of the year ended 31 December 2020.

The Group’s financial information for the year ended 31 December 2021 in this announcement was prepared on the basis of the consolidated financial statements which have been reviewed by the Company’s independent auditor and 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

For the year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
<b>Revenue</b>	5	<b>67,608</b>	121,404
Cost of sales and services rendered		<u>(27,053)</u>	<u>(90,483)</u>
Gross profit		<b>40,555</b>	30,921
Other income and other gain, net	6	<b>777</b>	799
Distribution costs		<b>(638)</b>	(2,909)
Administrative and other expenses		<b>(15,085)</b>	(11,933)
Written-off of inventories		<u>(109)</u>	<u>(225)</u>
<b>Profit before income tax</b>		<b>25,500</b>	16,653
Income tax expenses	8	<u>(8,625)</u>	<u>(5,161)</u>
<b>Profit for the year</b>	7	<u><b>16,875</b></u>	<u>11,492</u>
<b>Attributable to:</b>			
Owners of the Company		<b>9,025</b>	6,422
Non-controlling interests		<u><b>7,850</b></u>	<u>5,070</u>
		<u><b>16,875</b></u>	<u>11,492</u>
<b>Earnings per share</b>			
Basic and diluted (RMB cents)	10	<u><b>0.29</b></u>	<u>0.21</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Profit for the year</b>	<u>16,875</u>	<u>11,492</u>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>1,151</u>	<u>2,467</u>
<b>Total comprehensive income for the year</b>	<u><u>18,026</u></u>	<u><u>13,959</u></u>
<b>Attributable to:</b>		
— Owners of the Company	<u>10,176</u>	8,889
— Non-controlling interests	<u>7,850</u>	<u>5,070</u>
	<u><u>18,026</u></u>	<u><u>13,959</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>8,854</b>	10,272
Right-of-use assets		<b>4,403</b>	4,531
Intangible assets		<b>6,383</b>	36,855
Finance lease receivables		<b>102,730</b>	—
		<b>122,370</b>	51,658
<b>CURRENT ASSETS</b>			
Inventories		<b>3,654</b>	14,025
Trade and other receivables	<i>11</i>	<b>55,498</b>	123,696
Tax recoverable		<b>97</b>	29
Finance lease receivables		<b>112,820</b>	98,095
Financial assets at fair value through profit or loss		<b>501</b>	517
Cash and cash equivalents		<b>16,297</b>	2,630
		<b>188,867</b>	238,992
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>12</i>	<b>79,516</b>	82,033
Tax payables		<b>10,579</b>	5,011
		<b>90,095</b>	87,044
<b>NET CURRENT ASSETS</b>		<b>98,772</b>	151,948
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>221,142</b>	203,606

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<u>1,591</u>	<u>2,081</u>
<b>NET ASSETS</b>		<u><b>219,551</b></u>	<u>201,525</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>13</i>	<b>28,601</b>	28,601
Reserves		<u><b>170,470</b></u>	<u>160,294</u>
Equity attributable to owners of the Company		<b>199,071</b>	188,895
Non-controlling interests		<u><b>20,480</b></u>	<u>12,630</u>
<b>TOTAL EQUITY</b>		<u><b>219,551</b></u>	<u>201,525</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. GENERAL INFORMATION

Sanai Health Industry Group Company Limited (the (“**Company**”) was incorporated in the Cayman Islands on 21 March 2006 and registered as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the (“**Cayman Companies Law**”) and acts as an investment holding company. Its shares 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 Company is an investment holding company. The Company and its subsidiaries collectively referred to as the Group.

Reference to the announcement dated on 24 January 2020, the trading of ordinary shares of the Company on the Stock Exchange has been suspended with effect from 24 January 2020. In view of the Listing (Review) Committee Decision, the Company is required to re-comply with Rule 13.24 of the Listing Rules and resume trading within a period of 18 months from the date of suspension. Should the Company fail to do so by the expiry of the 18-month period, the Stock Exchange will proceed with cancellation of the Company’s listing.

Reference to the announcement dated on 8 January 2021, the Company received a letter from the Stock Exchange on 6 January 2021 in relation to resumption guidance for the Company including (i) demonstrate its compliance with Rule 13.24 of the Listing Rules; (ii) publish all outstanding financial results and address any audit modifications; and (iii) re-comply with Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules. The Stock Exchange may modify the Resumption Guidance that have been given and/or give further guidance if the Company’s situation changes. Under Rule 6.01A of the Listing Rules, the Stock Exchange may cancel the Company’s listing if trading in the Company’s shares has been suspended for 18 continuous months, expiring on 23 July 2021.

Reference to the announcement dated on 7 September 2021, as all the resumption conditions have been fulfilled, an application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 8 September 2021.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company.

## **2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standard (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. 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 year and prior years.

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

## **3. BASIS OF PREPARATION**

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (“**CO**”).

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise the judgements in the process of applying the accounting policies.

## **4. SEGMENT INFORMATION**

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

- (i) Pharmaceutical products: development, manufacturing, marketing and sales of pharmaceutical products, sales of pharmaceutical related software and provision of consultancy services;
- (ii) Finance leasing: provision of finance leasing services;
- (iii) Other general trading: trading of goods other than pharmaceutical products (ceased in 2021);  
and
- (iv) Genetic testing and molecular diagnostic services: provision of genetic testing and molecular diagnostic services.

**(a) Segment results, assets and liabilities**

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

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

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 profit/(loss) is “adjusted earnings/(loss) before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including interest income from bank deposits and interest exposure on bank borrowings and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at adjusted earnings/(loss), the Group’s earnings/(loss) are further adjusted for items not specifically attributed to individual segments, such as directors’ and auditors’ remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted profit/(loss), the Board is provided with segment information concerning revenue, interest income, depreciation, amortisation, impairment losses, finance costs and additions to non-current segment assets used by segments in their operations.

Information regarding the Group’s reportable segments as provided to the Board for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

**For the year ended 31 December 2021**

	Pharmaceutical products RMB'000	Finance leasing RMB'000	Genetic testing and molecular diagnostic services RMB'000	Total RMB'000
Reportable segment revenue from external customers	53,815	9,301	4,492	67,608
Reportable segment profit (adjusted EBITDA)	29,469	9,137	193	38,799
Interest income from bank deposits	4	82	-	86
Depreciation and amortisation for the year	(3,286)	(3)	(228)	(3,517)
Written-off of inventories	(109)	-	-	(109)
Loss allowances for trade receivables	(888)	-	-	(888)
Reportable segment assets	75,489	216,441	1,744	293,674
Additions to non-current segment assets during the year	73	-	-	73
Reportable segment liabilities	(46,726)	(9,792)	(3,101)	(59,619)

**For the year ended 31 December 2020**

	Pharmaceutical products RMB'000	Finance leasing RMB'000	Other general trading RMB'000	Genetic testing and molecular diagnostic services RMB'000	Total RMB'000
Reportable segment revenue from external customers	44,965	6,605	63,999	5,835	121,404
Reportable segment profit (adjusted EBITDA)	17,222	6,048	1,441	311	25,022
Interest income from bank deposits	1	-	-	-	1
Depreciation and amortisation for the year	(3,304)	(6)	(30)	(276)	(3,616)
Written-off of inventories	(225)	-	-	-	(225)
Reportable segment assets	55,649	113,126	64,751	1,667	235,193
Additions to non-current segment assets during the year	546	-	17	515	1,078
Reportable segment liabilities	(25,403)	(13,995)	(15,218)	(2,814)	(57,430)

*Note:*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

(b) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue</b>		
Reportable segment revenue from external customers	<u>67,608</u>	<u>121,404</u>
<b>Profit or loss</b>		
Reportable segment profit derived from		
Group's external customers	38,799	25,022
Other income	86	95
Depreciation and amortisation	(3,547)	(3,624)
Loss allowances for trade receivables	(888)	–
Unallocated head office and corporate other revenue and net income	678	704
Unallocated head office and corporate expenses		
— staff cost (including director's emoluments)	(2,575)	(2,548)
— others	<u>(7,053)</u>	<u>(2,996)</u>
Consolidated profit before income tax for the year	<u><u>25,500</u></u>	<u><u>16,653</u></u>
<b>Assets</b>		
Reportable segment assets	293,674	235,193
Financial assets at fair value through profit or loss	501	517
Unallocated head office and corporate assets		
— intangible assets	–	28,507
— others	<u>17,062</u>	<u>26,433</u>
	<u>17,062</u>	<u>54,940</u>
Consolidated total assets	<u><u>311,237</u></u>	<u><u>290,650</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	(59,619)	(57,430)
Deferred tax liabilities	(1,591)	(2,081)
Unallocated head office and corporate liabilities	<u>(30,476)</u>	<u>(29,614)</u>
Consolidated total liabilities	<u><u>(91,686)</u></u>	<u><u>(89,125)</u></u>

**(c) Revenue from major products and services**

The following is an analysis of the Group's revenue from its major products and services.

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Sales of pharmaceutical products	<b>53,815</b>	44,965
Genetic testing and molecular diagnostic services	<b>4,492</b>	5,835
Sales of other goods for general trading	–	63,999
Finance leasing income	<b>9,301</b>	6,605
	<b><u>67,608</u></b>	<u>121,404</u>

**(d) Geographic Information**

*(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.

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Hong Kong	<b>4,492</b>	5,838
The PRC	<b>63,116</b>	61,407
Europe	–	47,405
Others	–	6,754
	<b><u>67,608</u></b>	<u>121,404</u>

*(ii) 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.

(e) **Information about major customers**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sales of pharmaceutical products		
— Customer A <sup>#</sup>	327	22,765
— Customer B <sup>*</sup>	20,947	—
— Customer C <sup>*</sup>	13,397	2,300
	<u>34,671</u>	<u>25,065</u>
Sales of other goods for general trading		
— Customer D <sup>#</sup>	—	35,171
	<u>—</u>	<u>35,171</u>

<sup>#</sup> Customer A and customer D did not contribute over 10% of the Group's revenue for the year ended 31 December 2021, the figure shown was for comparative purpose only.

<sup>\*</sup> Customer B and customer C did not contribute over 10% of the Group's revenue for the year ended 31 December 2020, the figure shown was for comparative purpose only.

**5. REVENUE**

The principal activities of the Group are the development, manufacturing, marketing and sales of pharmaceutical products, other general trading (ceased in 2021), provision of finance leasing services and provision of genetic testing and molecular diagnostic services.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue from contracts with customers</b>		
Sales of goods		
— Pharmaceutical products	53,815	44,965
— Other goods for general trading	—	63,999
Provision of genetic services and molecular diagnostic services	4,492	5,835
	<u>58,307</u>	<u>114,799</u>
<b>Revenue from other sources</b>		
Finance leasing interest income	9,301	6,605
	<u>9,301</u>	<u>6,605</u>
	<u>67,608</u>	<u>121,404</u>

The revenue from contracts with customers of the Group during the year ended 31 December 2021 are recognised at a point in time (2020: at a point in time).

For sales of pharmaceutical products and products other than pharmaceutical products, 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 180 days upon acceptance.

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

## 6. OTHER INCOME AND OTHER GAIN, NET

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Bank interest income	<b>208</b>	1
Bond interest income	<b>504</b>	578
	<hr/>	<hr/>
Total interest income	<b>712</b>	579
Loss on disposal of property, plant and equipment	–	(24)
Exchange gain, net	<b>52</b>	35
Sundry income	<b>13</b>	89
Government subsidies*	–	120
	<hr/>	<hr/>
	<b>777</b>	799
	<hr/> <hr/>	<hr/> <hr/>

\* Government subsidies are awarded to the Group by the government authority. No conditions have been applied on such government subsidies from the government authority.

## 7. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of property, plant and equipment <sup>#</sup>	1,454	1,526
Amortisation of intangible assets	1,965	1,969
Depreciation of right-of-use assets	128	129
Directors' emoluments	1,382	1,423
Other staff costs		
— Contributions to defined contribution retirement plans	727	152
— Salaries, wages and other benefits	7,876	7,769
Total staff costs <sup>#</sup>	<u>9,985</u>	<u>9,344</u>
Auditor's remuneration	1,328	1,423
Expenses relating to short-term leases	454	1,401
Cost of inventories <sup>#</sup>	<u>25,243</u>	<u>88,166</u>

<sup>#</sup> Cost of inventories includes approximately RMB7,170,000 (2020: RMB6,905,000) relating to staff costs, depreciation and amortisation which amount is also included in the respective total amounts disclosed separately above.

## 8. INCOME TAX EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax ("EIT")	<u>9,115</u>	<u>4,096</u>
	9,115	4,096
Deferred taxation	<u>(490)</u>	<u>1,065</u>
	<u>8,625</u>	<u>5,161</u>

For the PRC subsidiaries of the Group, PRC EIT is calculated at 25% (2020: 25%) in accordance with the relevant laws and regulations in the PRC.

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the years ended 31 December 2021 and 2020. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2021 and 2020.

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 year ended 31 December 2021 and 2020.

## 10. EARNINGS PER SHARE

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

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit for the year attributable to the owners of the Company for the purpose of basis earnings per share	<u><b>9,025</b></u>	<u>6,422</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basis earnings per share	<u><b>3,067,223</b></u>	<u>3,067,223</u>

For the year ended 31 December 2021 and 2020, the dilutive earnings per share was the same as the basic earnings per share as the impact of share options had an anti-dilutive effect.

## 11. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	35,446	23,244
Less: Provision for loss allowance ( <i>note c</i> )	<u>(956)</u>	<u>(68)</u>
	<b>34,490</b>	23,176
Other receivables ( <i>note d</i> )	6,727	29,146
Investment in bond issued by a private company ( <i>note e</i> )	–	10,946
Amount due from a related company	2	2
Prepayments and deposits ( <i>note f</i> )	12,964	60,326
Other PRC tax receivables	<u>1,315</u>	<u>100</u>
	<b><u>55,498</u></b>	<b><u>123,696</u></b>

### Notes:

- (a) As at 31 December 2021 and 2020, all of the other 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 (2020: 30 to 180 days) to its customers.

As of the end of the reporting period, the ageing analysis of trade receivables at the end of the reporting period, presented based on the invoice date and net of allowance for doubtful debts is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 30 days	6,466	6,452
31 to 60 days	3,688	5,050
61 to 90 days	3,079	4,126
91 to 120 days	4,982	3,540
121 to 365 days	15,609	945
Over 365 days	<u>666</u>	<u>3,063</u>
	<b><u>34,490</u></b>	<b><u>23,176</u></b>

(c) Reconciliation of loss allowance for trade receivables:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
At 1 January	<b>68</b>	68
Increase in loss allowance for the year	<b>888</b>	–
At 31 December	<b>956</b>	68

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 aging. The expected credit losses also incorporate forward looking information.

	Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 365 days	Over 365 days	Total
<b>At 31 December 2021</b>							
Weighted average expected loss rate	–	–	–	1.5%	5%	8%	2.7%
Receivable amount (RMB'000)	6,466	3,688	3,079	5,058	16,431	724	35,446
Loss allowance (RMB'000)	–	–	–	76	822	58	956
<b>At 31 December 2020</b>							
Weighted average expected loss rate	–	–	–	–	–	2%	0.3%
Receivable amount (RMB'000)	6,452	5,050	4,126	3,540	945	3,131	23,244
Loss allowance (RMB'000)	–	–	–	–	–	68	68

(d) Included in the other receivables of approximately RMB344,000 (2020: RMB14,327,000) represents interest receivables from finance lease receivables.

(e) The bond receivables represents the investment in bond issued by a private company carried at 5% coupon rate per annum dated 26 June 2018. The maturing date was initially 105 days after the issued date. Through the negotiation among the Group and the bond issuer, the maturity date had been renewed to 15 April 2019.

On 4 March 2020, the Group had issued an demand letter to the bond issuer on the request of the repayment of the bond receivable and the accrued interest. The entire amount of the bond receivables and the accrued interests had been settled in 2021.

(f) As at 31 December 2020, included in the prepayments and deposits of approximately RMB28,692,000 and RMB11,200,000 relating to prepayment for other general trading segment and deposits for acquisition of plant and equipment, respectively. The amounts had been refunded from the suppliers in 2021.

## 12. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	12,627	9,736
Payroll and welfare payables	2,913	1,828
Accrued expenses	4,093	6,547
Other payables	50,938	46,684
Other PRC tax payables	2,724	466
Contract liabilities	421	10,972
Deposits received	5,800	5,800
	<u>79,516</u>	<u>82,033</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 30 days	140	4,866
31 to 60 days	5,916	1,006
61 to 90 days	902	3,517
91 to 120 days	2,486	75
121 to 365 days	591	114
Over 365 days	2,592	158
	<u>12,627</u>	<u>9,736</u>

### 13. SHARE CAPITAL

	Number of ordinary shares ( '000)	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>10,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>3,067,223</u>	<u>30,672</u>
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Shown in the consolidated and Company's statement of financial position at 31 December	<u><b>28,601</b></u>	<u>28,601</u>

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary share rank equally with regard to the Company's residual assets.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2021.

### **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 consolidated financial position of the Company as at 31 December 2021, and of its consolidated financial performance and its consolidated 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 litigations*

Due to the uncertainties in relation to the litigations as disclosed in note 34 to the consolidated financial statements, we have been unable to obtain supportable evidence for us to assess whether no provision been provided concerning the litigations as at 31 December 2021 and 2020 are fairly stated and the profit or loss effect on the provision of litigations for the year ended 31 December 2021 and 2020 are properly stated.

Any adjustments to the figures as described above might have a consequential effect on the Group’s consolidated financial performance and its consolidated cash flows for the year ended 31 December 2021 and 2020 and the consolidated financial position of the Group as at 31 December 2021 and 2020, and the related disclosures thereof in the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year ended 31 December 2021 (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. The major business are stated as below:

#### Pharmaceutical Products Business

Since the acquisition of Fujian Yongchun Pharmaceutical Company Limited\* (福建永春製藥有限公司) (“**Fujian Yongchun**”) and Fujian Zhixin Medicine Co., Limited\* (福建至信醫藥有限公司) (“**Fujian Zhixin**”) in 2019, the Company continued to develop its core business, pharmaceutical products business.

Fujian Yongchun is located in Yongchun County, Quanzhou City, Fujian Province. Its plants occupies a site area of 32,330 square metres with a gross floor area of approximately 8,311.58 square metres, in which the GMP workshop has an area of 3,581 square metres. Fujian Yongchun owns 5 drug registration series (藥品批准文號) in the PRC and produces 5 types of oral medicine, including Yangpi San (養脾散), Sanqi panax notoginseng capsules (三七膠囊) and phentolamine mesylate tablets (甲磺酸酚妥拉明片). It becomes the core base for pharmaceutical production of the Group.

The Group will continue to increase its market share by promoting the core products and other products of Fujian Yongchun. To achieve this goal, the Group has been adjusting its market position from time to time. In particular, the Group plans to enhance its sales and promotion strategies so as to strengthen its market penetration. The Group will continue to expand its sales team to further explore the traditional medicine market by introducing sales via drugstore chains and other channels. The Group will also fully utilize its existing sales team to increase its sales through distributors.

Fujian Zhixin possesses the Medical Operations Permit (Wholesale), Medical Operation Quality Management System Certifications (GSP) and Food Operations Permit. The Group acts as a sales agent nationwide for the herbal medical materials, Chinese herbal medicine, Chinese patent medicine, chemical drug preparations, antibiotic preparations, biochemical pharmaceuticals, biological products, healthcare products and food products. Not only the Group can sell its pharmaceutical products through the sales network of Fujian Zhixin, but can also act as a sales agent to sell pharmaceutical and healthcare products for other pharmaceutical companies.

During the Reporting Period, the revenue derived from pharmaceutical products business increased by approximately 19.68% to approximately RMB53.82 million (2020: approximately RMB44.97 million).

## **Finance Leasing Business**

Union Development Finance Lease (Shenzhen) Company Limited\* (聯合發展融資租賃(深圳)有限公司) and Zhonghuixin Finance Lease (Shenzhen) Co., Ltd.\* (中匯鑫融資租賃(深圳)有限公司), both being indirect wholly-owned subsidiaries of the Company, have been engaging in finance leasing business since 2017 and 2021 respectively. The revenue derived from finance leasing business of the Group for the Reporting Period was approximately RMB9.30 million (2020: RMB6.61 million), representing an increase of approximately 40.82% as compared to the year 2020.

The Company will continue to endeavour to expand its finance leasing services of medical devices and rehabilitation equipment which is complimentary to the Group's existing pharmaceutical products business.

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

## **Genetic Testing and Molecular Diagnostic Services**

The Group has acquired the equity interests in Zentrogene Bioscience Laboratory Limited (“**Zentrogene**”) in 2019 which primarily engages in the provision of genetic testing and molecular diagnostic services. Zentrogene operates a laboratory with the relevant license in Hong Kong, providing services such as non-invasive prenatal diagnosis (NIPD), tumor genetic screening, DNA testing and paternity testing. Genetic testing is a prerequisite for precision medicine.

During the Reporting Period, the revenue generated from genetic testing and molecular diagnostic services amounted to approximately RMB4.49 million (2020: RMB5.84 million), representing a decrease of 23.12%. The decrease was mainly due to the termination of the cooperation in 2020 with the business partners in Shenzhen during the Reporting Period as a result of the prolonged travel restrictions between Hong Kong and Mainland China caused by the ongoing COVID-19 pandemic.

## **Other General Trading Business**

The Group historically operates other general trading business, including the trading of pharmaceutical related apparatus and products such as masks and oxygen machine, etc.. However, due to the relatively thin profit margin and the increasing inventory risk associated with the stocking of trading commodities due to uncertainty in worldwide delivery logistics and volatility in commodity prices, the Company has decided to cease its general trading business in 2021. Accordingly, during the Reporting Period, other general trading business recorded nil revenue (2020: approximately RMB64.00 million).

## **FINANCIAL REVIEW**

For the Reporting Period, the Group has a total revenue of approximately RMB67.61 million, representing a decrease of approximately 44.31% as compared to approximately RMB121.40 million in 2020, and the gross profit margin was approximately 59.99% (2020: gross profit margin approximately 25.47%). The Group recorded a profit attributable to owners of the Company of approximately RMB9.03 million (2020: approximately RMB6.42 million).

The decrease in the total revenue was primarily due to the cessation of the other general trading business during the Reporting Period. The increase in the profit attributable to owners of the Company for the Reporting Period as compared to that of 2020 was primarily due to the fact that the Group has been able to increase its sales of pharmaceutical products manufactured by Yongchun with high margin during the Reporting Period. The basic and diluted earnings per share was approximately RMB0.29 cents (2020: basic and diluted earnings per share was approximately RMB0.21 cents).

### **Liquidity and Financial Resources**

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB16.30 million (2020: approximately RMB2.63 million) and most cash and cash equivalents were denominated in Renminbi and Hong Kong dollars.

### **Capital Structure and Gearing Ratio**

As at 31 December 2021, the total issued shares of the Company was 3,067,222,500 shares.

As at 31 December 2021, the share capital and equity attributable to owners of the Company amounted to approximately RMB28.60 million and approximately RMB199.07 million respectively (2020: approximately RMB28.60 million and approximately RMB188.90 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 36.22% as at 31 December 2021 (2020: approximately 40.71%).

## **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 fluctuations in currency exchange rates. As at 31 December 2021, 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, CONTINGENCIES AND CHARGES ON ASSETS**

As at 31 December 2021, the Group did not have any other significant capital commitment (2020: nil).

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

As at 31 December 2021, there was no land use rights and property, plant and equipment (2020: nil) which had been pledged as security for the borrowings of the Group.

## **SIGNIFICANT ACQUISITIONS AND DISPOSAL OF INVESTMENTS**

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

## **EQUITY FUND RAISING ACTIVITIES**

The Company did not have any equity fund raising activity during the Reporting Period.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

For the Reporting Period, the Group employed approximately 81 employees (2020: 68 employees) with total staff cost of approximately RMB9.99 million (2020: approximately RMB9.34 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 2020 and 2021, the Group had no forfeited contributions under its retirement benefit scheme which may be used to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

## CAPITAL EXPENDITURE

For the years ended 31 December 2021 and 2020, there was no significant capital expenditure of the Group for property, plant and equipment.

## DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2021 (31 December 2020: Nil).

## SHARE OPTION SCHEME

On 24 May 2018 and 30 May 2018, 115,400,000 and 118,000,000 share options (the “Share Options”) were granted to grantees respectively. On 7 June, 8 June, 14 June and 19 June 2018, an aggregate of 195,100,000 Share Options were exercised by grantees under the share option scheme of the Company adopted on 16 June 2017 (the “Share Option Scheme”). The following table discloses movements in the Share Options during the Reporting Period:

Category of participant	Number of share options					Date of grant	Exercise period	Closing price of the shares immediately before the date of grant	
	At 1 January 2021	Granted during the year	Cancelled or lapsed during the year	Exercise during the year	At 31 December 2021			Exercise price HK\$	Exercise price before the date of grant HK\$
Employees in aggregate	34,800,000	-	-	-	34,800,000	24 May and 30 May 2018	24 May 2018 to 29 May 2023 (Note)	0.32	0.32
Non-employees in aggregate	2,000,000	-	-	-	2,000,000	30 May 2018	30 May 2018 to 29 May 2023 (Note)	0.335	0.335
	<u>36,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,800,000</u>				

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

## RESUMPTION OF TRADING IN THE COMPANY'S SHARES

The Company received a letter dated 24 May 2019 from the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), which served a notice that the Stock Exchange considered that the Company has failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value could be demonstrated under Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) to warrant the continued listing of the shares of the Company (the “**Shares**”). The Stock Exchange has therefore decided to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules and proceed with cancellation of the listing of the Company under 6.01A(1) of the Listing Rules (the “**Decision**”).

The Company was required to re-comply with Rule 13.24 of the Listing Rules and would have a remedial period of 18 months to re-comply with the Listing Rules. If the Company failed to do so by the expiry of the 18-month period (i.e. 23 November 2020), the Stock Exchange would proceed with cancellation of the listing of the Company.

On 4 June 2019, the Company had submitted a written request to the listing committee (the “**Listing Committee**”) of the Stock Exchange for the Decision to be referred to the Listing Committee for review pursuant to Rule 2B.06(1) of the Listing Rules.

The Board emphasized that the Group was undergoing a period of transformation. The Group has terminated its business with continued losses and disposed of its assets with substantial net liabilities for the interests of the Company and shareholders as a whole.

On 6 September 2019, the Company has received a letter from the Listing Committee setting out its decision on the review application (the “**Decision Letter**”). According to the Decision Letter, the Listing Committee decided to uphold the Decision to suspend trading in the Shares.

The Company submitted a written request to the Listing (Review) Committee (“**Listing (Review) Committee**”) of the Stock Exchange for the Decision to be referred to the Listing (Review) Committee for review (the “**2nd Review Request**”) pursuant to Rule 2B.06(2) of the Listing Rules.

On 23 January 2020, the Company had received a reply from the Listing (Review) Committee that they had decided to uphold the decision of the Listing Committee.

By way of letters to the Company dated 12 February 2020, 7 April 2020 and 18 January 2021, the Stock Exchange imposed the following resumption guidance for the Company:

- (i) Demonstrate its compliance with Rule 13.24 of the Listing Rules;
- (ii) Publish all outstanding financial results and address any audit modifications; and
- (iii) Re-comply with Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules.

On 9 July 2021, the Company has submitted a resumption proposal to the Stock Exchange. The resumption proposal submitted to the Stock Exchange set forth the business, financial and other material information of the Company to demonstrate that the Company has fulfilled all the Resumption Conditions.

The trading of the Shares has been resumed on 8 September 2021.

For further details, please refer to the announcements of the Company dated 26 May 2019, 28 May 2019, 4 June 2019, 9 September 2019, 16 September 2019, 24 January 2020, 12 February 2020, 7 April 2020, 23 April 2020, 24 July 2020, 23 October 2020, 8 January 2021, 22 January 2021, 22 April 2021, 12 July 2021, 7 September 2021 and 8 September 2021 respectively.

### **Finance Lease Agreements in June 2021**

On 22 June 2021, Union Development Financial Leasing (Shenzhen) Company Limited (“**Union Development**”), an indirect wholly-owned subsidiary of the Company, entered into two finance lease agreements, namely the finance lease agreement I (the “**Finance Lease Agreement I**”) and the finance lease agreement II (the “**Finance Lease Agreement II**”) and together with the Finance Lease Agreement I as “**Finance Lease Agreements**”), with two independent lessees (collectively the “**Lessees**”), pursuant to which Union Development agreed to purchase one set of “Phillips” Magnetic Resonance Inspection system and one full set of automated production line for the processing and production of Chinese herbal medicine as the leased assets (the “**Leased Assets**”) under the terms of the respective Finance Lease Agreements from the Lessees and leased back the Leased Assets back to the respective Lessees with the option for the respective Lessees to repurchase the Leased Assets under the terms of the respective Finance Lease Agreements. The finance lease principals under the Finance Lease Agreement I and the Finance Lease Agreement II were in the amount of RMB29,580,000 and RMB29,880,000 and the finance lease interest income derived from the Finance Lease Agreement I and Finance Lease Agreement II were RMB2,884,050 and RMB2,328,375 respectively.

For further details, please refer to the announcement of the Company dated 22 June 2021.

## Finance Lease Arrangements in December 2021

On 23 December 2021, Zhonghuixin Financial Leasing (Shenzhen) Co., Ltd.\* 中匯鑫融資租賃(深圳)有限公司 (“**Zhonghuixin**”), an indirect wholly-owned subsidiary of the Company, as the lessor entered into a finance lease agreement (the “**Finance Lease Agreement 1**”) with an independent lessee (the “**Lessee 1**”), pursuant to which (i) Zhonghuixin acquired certain leased assets comprising electric cables and transformers located in the PRC (the “**Leased Assets 1**”) at a consideration of RMB48,000,000; and (ii) Zhonghuixin leased the Leased Assets 1 back to the Lessee 1 for a term of 12 months with a total lease payment of RMB51,360,000 and granted an option to the Lessee 1 to repurchase the Leased Assets 1 after the lease term, which shall include a finance lease principal of RMB48,000,000 and a finance lease interest (inclusive of the value added tax) of approximately RMB3,360,000 under the Finance Lease Agreement 1.

On 23 December 2021, Zhonghuixin as the Lessor entered into a finance lease agreement (the “**Finance Lease Agreement 2**”) with an independent lessee (the “**Lessee 2**”), pursuant to which (i) Zhonghuixin acquired certain leased assets comprising power buried pipes, electric cables and transformers located in the PRC (the “**Leased Assets 2**”) at a consideration of RMB45,000,000; and (ii) Zhonghuixin leased the Leased Assets 2 back to the Lessee 2 for a term of 12 months with a total lease payment of RMB48,150,000 and granted an option to the Lessee 2 to repurchase the Leased Assets 2 after the lease term, which included a finance lease principal of RMB45,000,000 and a finance lease interest (inclusive of the value added tax) of approximately RMB3,150,000 under the Finance Lease Agreement 2.

On 23 December 2021, Zhonghuixin as the Lessor entered into a finance lease agreement (the “**Finance Lease Agreement 3**”) with an independent lessee (the “**Lessee 3**”), pursuant to which (i) Zhonghuixin acquired certain leased assets comprising sewage wells, basins and rain wells located in the PRC (the “**Leased Assets 3**”) at a consideration of RMB38,000,000; and (ii) Zhonghuixin leased the Leased Assets 3 back to the Lessee 3 for a term of 18 months with a total lease payment of RMB41,705,000 and granted an option to the Lessee 3 to repurchase the Leased Assets 3 after the lease term, which shall include a finance lease principal of RMB38,000,000 and a finance lease interest (inclusive of the value added tax) of approximately RMB3,705,000 under the Finance Lease Agreement 3.

On 23 December 2021, Zhonghuixin, as the Lessor entered into a finance lease agreement (the “**Finance Lease Agreement 4**”) with an independent lessee (the “**Lessee 4**”), pursuant to which (i) Zhonghuixin acquired certain leased assets comprising facilities and equipment for performing arts venues and stages located in the PRC (the “**Leased Assets 4**”) at a consideration of RMB35,000,000; and (ii) Zhonghuixin leased the Leased Assets 4 back to the Lessee 4 for a term of 18 months with a total lease payment of RMB38,412,500 and granted an option to the Lessee 4 repurchase the Leased Assets 4 after the lease term, which shall include a finance lease principal of RMB35,000,000 and a finance lease interest (inclusive of the value added tax) of approximately RMB3,412,500 under the Finance Lease Agreement 4.

For further details, please refer to the announcement of the Company dated 23 December 2021.

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

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

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

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

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

## **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.

### **Issue of Convertible Notes**

On 13 January 2022, the Company has issued two convertible notes (the “**Convertible Notes**”) in an aggregate principal amount of HK\$72,000,000 to two subscribers, namely Mr. Zhi Shao Huan and Mr. Jiang Heng Guang under general mandate. Each of the subscribers are parties independent of and not connected with the Company and its connected persons.

The net proceeds from the Convertible Notes were intended to be used as the general working capital of the Company’s pharmaceutical products business:

- (a) approximately 45% of the net proceeds will be used for the purchase of production plant, equipment and facilities and the purchase of raw materials for pharmaceutical products;

- (b) approximately 30% of the net proceeds will be used for the enrichment of the pharmaceutical product base, including the development of new medicines and/or the acquisition of the drug licenses; and
- (c) approximately 25% of the net proceeds will be used for the addition of sales points and the staff costs of additional sales staffs.

The initial conversion price under the subscription agreement of HK\$0.119, represents (i) the same as the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on the date of the subscription agreement; and (ii) a premium of approximately 4.20% to the average closing price of HK\$0.1142 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately before the date of the subscription agreement.

The conditions precedent of the subscription agreement of the Convertible Notes have been fulfilled on 9 February 2022 and the Completion took place on the same date.

As at the date of this announcement, none of the net proceeds from the Convertible Notes have been utilised.

As at the date of this announcement, none of the Convertible Notes has been converted.

For more details, please refer to the announcements of the Company dated 13 January 2022, 26 January 2022, 31 January 2022 and 9 February 2022.

### **Response to the outbreak of COVID-19 pandemic**

The COVID-19 pandemic outbreak in early 2020 continues to affect the economic activities and logistics arrangement in 2021. A series of precautionary and control measures have been and continued to be implemented in the PRC and worldwide.

The situation in the PRC was generally under control after the introduction of COVID-19 vaccines and the implementation of preventive and control measures by the PRC government.

At present, the Group's operation is generally stable. The Group will continue to pay close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 pandemic outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group.

## **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**") effective on or before 31 December 2021 contained in Appendix 14 to the Listing Rules during the Reporting Period, except for certain deviations disclosed below:

In respect of the code provision A.2.1 (which has been re-numbered as Code Provision C.2.1 under the new Corporate Governance Code that came into effect on 1 January 2022) of the CG Code, the roles of chairman (the "**Chairman**") and chief executive officer ("**CEO**") of the Company shall be separated and shall not be performed by the same individual. The Board considered that vesting the roles of Chairman and the CEO in the same person facilitates the execution of the Company's business strategies and maximizes effectiveness of its operations. On the other hand, there are three independent non-executive Directors in the Board, all of them are independent from the Company and the Board believes that there is a sufficient check and balance in the Board. Therefore the Board considers the Company has provided sufficient protection to its interests and the interests of its shareholders. The Board shall review the structure from time to time and shall consider the appropriate adjustment should suitable circumstances arise.

From 1 January 2021 to 2 February 2021, the Company only had one independent non-executive Director and one member in the Audit Committee. Hence, the Company failed to meet the requirements of having: (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; (b) independent non-executive directors who represent at least one-third of the Board under Rule 3.10A of the Listing Rules; (c) the audit committee (the "**Audit Committee**") of the Company comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; (d) at least one of the independent non-executive directors who have appropriate professional qualifications or accounting or related financial management expertise in accordance with Rule 3.10(2) of the Listing Rules; (e) the remuneration committee (the "**Remuneration Committee**") of the Company comprising a majority of independent non-executive directors and chaired by an independent non-executive director under Rule 3.25 of the Listing Rules; and (f) the nomination committee (the "**Nomination Committee**") of the Company comprising a majority of

independent non-executive directors under code provision A.5.1 of the CG Code (which has become mandatory requirements under Rule 3.27A of the Listing Rules with effect from 1 January 2022).

Upon the appointments of Mr. Khor Khie Liem, Alex (“**Mr. Khor**”) and Mr. Zhang Ruigen (“**Mr. Zhang**”) on 3 February 2021 and 25 June 2021 respectively, (i) the Board has three independent non-executive Directors, namely, Professor Zhu Yi Zhun (“**Professor Zhu**”), Mr. Khor and Mr. Zhang which is in compliance with Rule 3.10(1) of the Listing Rules; (ii) the independent non-executive Directors represent at least one-third of the Board in compliance with Rule 3.10A of the Listing Rules; (iii) the Audit Committee comprising three independent non-executive Directors, namely Mr. Khor as chairman of the Audit Committee, Professor Zhu and Mr. Zhang and is in compliance with Rule 3.21 of the Listing Rules; (iv) the Audit Committee has at least one of the independent non-executive directors who must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules; (v) the Remuneration Committee comprised two executive Directors, namely Mr. Chen Chengqing (“**Mr. Chen**”) and Professor Zhang Rongqing (“**Professor Zhang**”), and three independent non-executive Directors, namely Mr. Khor as chairman of the Remuneration Committee, Professor Zhu and Mr. Zhang and is in compliance with Rule 3.25 of the Listing Rules; and (vi) the Nomination Committee Comprised two executive Directors, namely Mr. Chen as chairman of the Nomination Committee and Professor Zhang, and three independent non-executive Directors, namely Professor Zhu, Mr. Khor and Mr. Zhang and in compliance with code provision A.5.1 of the CG Code.

From 25 June 2021 onwards, the composition of the Board and the Audit Committee are in compliance with the requirements under Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.10(2) of the Listing Rules respectively, and the composition of the Remuneration Committee and the Nomination Committee are in compliance with Rule 3.25 and code provision A.5.1 of the CG Code in Appendix 14 of the Listing Rules respectively.

## **UPDATE ON THE DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

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 3 February 2021, Mr. Khor Khie Liem Alex has been appointed as an independent non-executive Director, the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee. Further details were disclosed in the Company’s announcement dated 3 February 2021.

On 25 June 2021, Mr. Zhang Ruigen has been appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details were disclosed in the Company’s announcement dated 25 June 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Upon specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code throughout the Reporting Period.

## **AUDITORS**

On 23 February 2021, Crowe (HK) CPA Limited has resigned as auditor of the Company and ZHONGHUI ANDA CPA Limited (“**Zhonghui Anda**”) was appointed on the same day by the Directors to fill casual vacancy so arising.

The consolidated financial statements for the year ended 31 December 2021 have been audited by Zhonghui Anda. Zhonghui Anda will retire, and being eligible, offer themselves for re-appointed at the forthcoming annual general meeting. A resolution for its reappointment as auditor of the Company will be proposed.

## **SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2021, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group’s auditor, Zhonghui Anda, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2021. The work performed by Zhonghui Anda 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 Zhonghui Anda 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, Prof. Zhu and Mr. Zhang. 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 management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the condensed consolidated financial statements of the Group for the year ended 31 December 2021. They considered that the preparation of the annual results for the year ended 31 December 2021 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022 (both days inclusive), in order to determine the eligibility of the holders of shares to attend and vote at the annual general meeting to be held on Wednesday, 8 June 2022 (the “AGM”). In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Wednesday, 1 June 2022.

## **SUFFICIENCY OF THE PUBLIC FLOAT**

Based on the information publicly available to the Company, as of the date of this announcement, 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](http://www.hkexnews.hk)) and the Company ([www.1889hk.com](http://www.1889hk.com)) and the 2021 annual report of the Company 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**  
**Chen Chengqing**  
*Chairman*

Hong Kong, 29 March 2022

*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 three independent non-executive directors, namely, Professor Zhu Yi Zhun, Mr. Khor Khie Liem Alex and Mr. Zhang Ruigen.*