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 2023

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 the "**Group**") for the six-month period ended 30 June 2023 (the "**Current Period**"), together with the comparative figures for the corresponding period in 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	**61,289**	56,080
Cost of sales and services rendered		**(36,886)**	(19,474)
Gross profit		**24,403**	36,606
Other income and other gain, net		**219**	36
Distribution costs		**(391)**	(534)
Administrative and other expenses		**(6,406)**	(12,091)
Reversal of impairment loss on finance lease receivables		**2,164**	–
Impairment loss on trade receivables		**(44)**	–
Change in fair value of convertible notes designated as financial liabilities at FVPL	13	**893**	(600)
Finance costs	6	**(848)**	(696)
Profit before income tax		**19,990**	22,721
Income tax expenses	7	**(4,491)**	(8,180)
Profit for the period	6	**15,499**	14,541
Profit for the period attributable to:			
Owners of the Company		**15,543**	8,069
Non-controlling interests		**(44)**	6,472
		15,499	14,541
Earnings per share			
Basic (RMB cents)	9	**0.48**	0.26
Diluted (RMB cents)	9	**0.48**	0.26

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**15,499**	14,541
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(3,547)**	(2,066)
Total comprehensive income for the period	**11,952**	12,475
Total comprehensive income for the period attributable to:		
— Owners of the Company	**11,996**	6,003
— Non-controlling interests	**(44)**	6,472
	11,952	12,475

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**6,990**	7,590
Right-of-use assets		**5,525**	5,589
Intangible assets		**3,436**	4,419
Finance lease receivables		**–**	9,788
		15,951	27,386
CURRENT ASSETS			
Inventories		**1,775**	438
Trade and other receivables	*10*	**22,330**	12,674
Tax recoverable		**144**	30
Finance lease receivables		**165,276**	322,257
Financial assets at FVPL		**204**	195
Cash and cash equivalents		**176,703**	21,839
		366,432	357,433
CURRENT LIABILITIES			
Trade and other payables	*11*	**40,558**	45,490
Interest-bearing borrowings	*12*	**5,719**	4,653
Lease liabilities		**270**	270
Convertible notes designated as financial liabilities at FVPL	*13*	**–**	65,089
Tax payables		**8,807**	11,084
		55,354	126,586
NET CURRENT ASSETS		**311,078**	230,847
TOTAL ASSETS LESS CURRENT LIABILITIES		**327,029**	258,233
NON-CURRENT LIABILITIES			
Lease liabilities		**1,054**	1,055
Convertible notes designated as financial liabilities at FVPL	*13*	**56,059**	–
Deferred tax liabilities		**857**	1,101
		57,970	2,156
NET ASSETS		**269,059**	256,077
CAPITAL AND RESERVES			
Share capital	*14*	**29,865**	29,742
Reserves		**228,750**	215,847
Equity attributable to owners of the Company		**258,615**	245,589
Non-controlling interests		**10,444**	10,488
TOTAL EQUITY		**269,059**	256,077

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 addresses 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, provision of finance leasing services and provision of genetic testing and molecular diagnostic 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 fair value through profit or loss ("FVPL") and convertible notes designated as financial liabilities at FVPL which are stated at fair value.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2022 annual 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 2022.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise all applicable individual HKFRSs, 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 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.

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 three 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; and

(iii) Genetic testing and molecular diagnostic services: provision of genetic testing and molecular diagnostic 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 2023 and 2022 is set out below:

For the six months ended 30 June 2023 (Unaudited)

	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	**49,146**	**4,881**	**7,262**	**61,289**
Reportable segment profit	**12,184**	**6,873**	**3,584**	**22,641**

For the six months ended 30 June 2022 (Unaudited)

	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	46,758	6,502	2,820	56,080
Reportable segment profit	25,588	5,859	1,092	32,539

There are no inter-segment sales for the six-month periods ended 30 June 2023 and 2022.

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong	**7,262**	2,820
The People's Republic of China (the "PRC")	**54,027**	53,260
Total	**61,289**	56,080

(ii) Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Total reportable segment profit derived from the Group's external customers	**22,641**	32,539
Other income and other gain, net	**219**	36
Unallocated head office and corporate expenses		
— staff cost (including director's emoluments)	**(1,370)**	(1,316)
— equity-settled share-based payment expenses	**–**	(9,362)
— change in fair value of convertible notes designated as financial liabilities at FVPL	**893**	(600)
— exchange gain, net	**1,881**	4,957
— others	**(3,426)**	(2,837)
— finance costs	**(848)**	(696)
Consolidated profit before income tax for the period	**19,990**	22,721

The following table presents segment assets and segment liabilities of the Group's operating segments at 30 June 2023 and 31 December 2022:

At 30 June 2023 (Unaudited)

	Pharmaceutical products *RMB'000*	**Finance leasing** *RMB'000*	**Genetic testing and molecular diagnostic services** *RMB'000*	**Total** *RMB'000*
Reportable segment assets	**45,987**	**319,360**	**9,167**	**374,514**
Reportable segment liabilities	**(19,212)**	**(2,109)**	**(5,718)**	**(27,039)**

At 31 December 2022 (Audited)

	Pharmaceutical products *RMB'000*	Finance leasing *RMB'000*	Genetic testing and molecular diagnostic services *RMB'000*	Total *RMB'000*
Reportable segment assets	39,454	336,855	5,616	381,925
Reportable segment liabilities	19,269	11,199	4,678	35,146

Segment assets include all tangible, intangible assets and current assets with the exception of financial assets at FVPL, 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.

5. REVENUE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
— At a point in time		
Sales of pharmaceutical products	**49,146**	46,758
— Over time		
Provision of genetic services and molecular diagnostic services	**7,262**	2,820
	56,408	49,578
Revenue from other sources		
Finance leasing interest income	**4,881**	6,502
	61,289	56,080

The revenue from contracts with customers of the Group during the six months ended 30 June 2023 and 2022 are recognised within HKFRS 15.

6. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging (crediting):

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
Interest expenses on convertible notes	**848**	696
Other items		
Depreciation of property, plant and equipment	**610**	486
Amortisation of intangible assets	**1,047**	985
Change in fair value of convertible notes designated as financial liabilities at FVPL *(Note 13)*	**(893)**	600
Equity-settled share-based payment expenses	**–**	9,362
Cost of inventories	**31,080**	16,858

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	**4,268**	8,425
Hong Kong Profits Tax	**468**	–
	4,736	8,425
Deferred taxation	**(245)**	(245)
	4,491	8,180

For the PRC subsidiaries of the Group, PRC EIT is calculated at 25% in accordance with the relevant laws and regulations in the PRC for the six months ended 30 June 2023 and 2022.

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 2023. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 as the Group utilised the tax losses brought forward to offset against the assessable profits arising in Hong Kong during the six months ended 30 June 2022.

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

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2023 and 2022.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	**15,543**	8,069
Change in fair value of convertible notes designated as financial liabilities at FVPL	**(893)**	600
Exchange difference on convertible notes designated as financial liabilities at FVPL	**2,531**	18
Interest on convertible notes	**848**	696
Profit for the period attributable to the owners of the Company for the purpose of diluted earnings per share	**18,029**	9,383
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,206,355**	3,067,223
Effect of conversion of convertible notes	**555,657**	474,673
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,762,012**	3,541,896

The computation of diluted earnings per share does not assume the exercise of the outstanding share options since the exercise price per share option was higher than the average share price of the Company for the six months ended 30 June 2023.

For the six months ended 30 June 2022, the computation of diluted earnings per share did not assume the conversion of all outstanding convertible notes issued by the Company and the exercise of the outstanding share options since the assumed conversion would result in increase in earnings per share and the exercise price per share option was higher than the average share price of the Company for the period, respectively.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Trade receivables (net of loss allowance)	**19,545**	6,000
Other receivables	**2,221**	5,883
Amount due from a related company	**3**	2
Prepayments and deposits	**561**	663
Other PRC tax receivables	**–**	126
	22,330	12,674

The Group normally grants credit terms of 30 to 180 days (31 December 2022: 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 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Within 30 days	**13,921**	1,647
31 to 60 days	**1,185**	979
61 to 90 days	**1,413**	911
91 to 120 days	**904**	203
121 to 365 days	**1,247**	552
Over 365 days	**875**	1,708
	19,545	6,000

11. TRADE AND OTHER PAYABLES

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Trade payables	**8,804**	1,142
Payroll and welfare payables	**4,111**	4,417
Accrued expenses	**3,362**	2,993
Other payables	**21,495**	31,175
Other PRC tax payables	**1,255**	2,980
Contract liabilities	**268**	360
Deposits received	**14**	–
Accrued interest expenses on convertible notes	**542**	1,706
Amount due to directors *(Note)*	**590**	609
Interest payables	**117**	108
	40,558	45,490

Note:

The amount due to directors is non-trade in nature, unsecured, interest-free and repayable on demand.

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 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Within 30 days	**6,405**	833
31 to 60 days	**1,288**	5
61 to 90 days	**196**	5
91 to 120 days	**–**	40
121 to 365 days	**915**	107
Over 365 days	**–**	152
	8,804	1,142

12. INTEREST-BEARING BORROWINGS

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Unsecured-current portion		
Other borrowings (denominated in HK$)	**5,719**	4,653

The other borrowings of approximately RMB5,719,000 (31 December 2022: approximately RMB4,653,000) are unsecured, carry fixed interest rate of 5% (31 December 2022: 5%) per annum and are repayable on demand.

13. CONVERTIBLE NOTES

On 13 January 2022, the Company, Fujian Sanai Biotechnology Limited* (福建三愛生物科技有限公司) and Fujian Zhixin Medicine Co., Limited* (福建至信醫藥有限公司), both being indirect wholly-owned subsidiaries of the Company (collectively as "Obligors") and two independent third parties being Mr. Zhi Shao Huan (支紹環) ("Subscriber 1") and Mr. Jiang Heng Guang (蔣恒光) ("Subscriber 2") (collectively as "Subscribers") entered into the subscription agreement, pursuant to which, on the terms and subject to the condition therein, the Company has agreed to issue, and the Subscribers have agreed to subscribe for, the convertible notes in the aggregate principal amount of HK$72,000,000 (equivalent to approximately RMB63,677,000) which are convertible into the Company's ordinary shares at the conversion price of HK$0.119 per share (subject to adjustment). Convertible notes with coupon interest rate of 3% per annum payable semi-annually in arrears will mature on the first anniversary of the issue date.

As security for the due and punctual payment of the convertible notes and performance by the Company of its obligations under or arising out of the subscription agreement, the Company will execute the charges in respect of 57% and 43% of the entire issued share capital of Sanai International Investment Company Limited, a direct wholly-owned subsidiary of the Company, to be executed by the Company in favour of the Subscriber 1 and Subscriber 2 respectively (the "Share Charges") as security of the convertible notes. In addition, each of Obligors will execute the charge to be executed by the Obligors in favour of the Subscribers over the bank accounts in the name of the Obligors (the "Account Charge") as a continuing security for payment and discharge of the outstanding principal amount of the convertible notes and performance by the Company pursuant to the subscription agreement.

On 9 February 2022, convertible notes with an aggregate principal amount of HK$72,000,000 (equivalent to approximately RMB63,677,000) was successfully issued with maturity date of 8 February 2023 (which was subsequently extended to 9 February 2026).

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

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

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

During the six months ended 30 June 2023, the Company has redeemed the convertible notes in the principal amount of HK$12,000,000 (equivalent to approximately RMB10,668,000). The Proposed Amendments have become effective on 20 March 2023 and the maturity date of the convertible notes has been extended to 9 February 2026.

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

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

	Six months ended 30 June 2023	Year ended 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the reporting period	**65,089**	–
Issue of convertible notes	**–**	63,677
Redemption	**(10,668)**	–
Changes in fair value (credited) charged to profit or loss	**(893)**	1,412
Exchange difference charged to profit or loss	**2,531**	–
At end of the reporting period	**56,059**	65,089

The fair value of the convertible notes is equal to the summation of the fair value of the liability component and conversion option component, calculated by using discounted cash flows and Binomial Option Pricing Model, respectively.

The fair value of the convertible notes at 30 June 2023 and 31 December 2022 were determined with reference to a professional valuation conducted by an independent professional valuer and were categorised into the level 3 fair value hierarchy as defined in HKFRS 13.

Major parameters adopted in the calculation of the fair values of the convertible notes are summarised below:

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Share price	**HK$0.070**	HK$0.080
Share price volatility	**91.89%**	116.60%
Risk-free interest rate	**4.18%**	4.32%
Dividend yield	**0.00%**	0.00%
Discount rate	**4.28%**	7.88%
Period	**2.62 years**	0.11 year

The significant unobservable input used in the fair value measurement of the convertible notes is expected share price volatility. The fair value measurement is positively correlated to the expected share price volatility. An increase in the expected share price volatility, with all other variables held constant, would result in increase in fair value of the convertible notes at the reporting period and decrease in the Group's profit for the reporting period. If the expected stock price volatility has been 5% (31 December 2022: 5%) higher with all other variables held constant, the Group's pre-tax profit for the six months ended 30 June 2023 would be decreased by less than RMB1,000 (31 December 2022: approximately RMB12,000).

The reconciliation of level 3 fair value measurements of the convertible notes is set out above.

14. SHARE CAPITAL

	Number of ordinary shares ('000)	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2022 (Audited), 1 January 2023 (Audited) and 30 June 2023 (Unaudited)	10,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2022 (Audited)	3,067,223	30,672
Issue of shares upon exercise of share options	129,000	1,290
At 31 December 2022 (Audited)	3,196,223	31,962
Issue of shares upon exercise of share options	14,000	140
At 30 June 2023	3,210,223	32,102

	RMB'000
Shown in the condensed consolidated financial statements at 30 June 2023 (Unaudited)	29,865

15. 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 2023 and 2022, are set out as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**985**	770
Equity-settled share-based payment expenses	**–**	3,928

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Current Period, the Group was principally engaged in three businesses: (i) pharmaceutical products business; (ii) finance leasing business; and (iii) genetic testing and molecular diagnostic services. The three business are stated as below:

Pharmaceutical Products Business

Since the successful transfer of the production line of the Group from our 51%-owned subsidiary to our wholly-owned subsidiary in August 2022, the core production centre as well as the exclusive sales channel of the Group's own developed pharmaceutical products has been kept under control of our wholly-owned subsidiary during the Current Period. As such, the Group has been able to increase its share of profit generated from the sales of this segment as a significant portion of such profit is no longer required to be shared by the non-controlling interests of our 51%-owned subsidiary as in the past years. So, despite the fact that there is a very substantial increase in the general cost of traditional Chinese herbal materials in the PRC since the start of the year of 2023 which has unavoidably affected the gross profit margin of the sales of our own developed pharmaceutical products in the Current Period, the Group is still able to increase the profit attributable to our shareholders in the Current Period.

The Group will take a more cautious approach to increase its market share by expanding its production capacity and promoting its own developed pharmaceutical products as the actual pace and progress of economic recovery in China has not been as promising and encouraging as originally expected and forecasted during the Current Period.

Fujian Zhixin, an indirect wholly-owned subsidiary of the Company, 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.

During the Current Period, the revenue derived from the pharmaceutical products business increased by 5.1% to approximately RMB49.15 million (2022 interim: approximately RMB46.76 million). The profit derived from the pharmaceutical products business has decreased to RMB12.2 million for the Current Period, representing a decrease of approximately 52.4% as compared to the corresponding period in 2022.

Finance Leasing Business

Zhonghuixin Finance Lease (Shenzhen) Co., Ltd. ("**Zhonghuixin**"), an indirect wholly-owned subsidiary of the Company, has been engaged in finance leasing business since 2021. The revenue derived from finance leasing business of the Group for the Current Period was approximately RMB4.88 million (2022 interim: RMB6.50 million). The Group has a total of 17 customers as at 30 June 2023 (30 June 2022: 6 customers).

Business Model and Customer Profiles

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

Credit Risk Assessment

The potential lessee will first approach Zhonghuixin to confirm whether the equipment or devices fall within the scope in which financing can be provided. The management of Zhonghuixin will conduct site visits and carry out due diligence on the potential lessee, the equipment or devices, assess the risks of the potential lease and followed by seeking the initial approval from the Group. The Group will further review, inter alia, the credit quality of the potential lessee, the purpose and value of the assets proposed to be leased, the financial conditions of the potential lessee, the ultimate beneficial owner(s) of the potential lessee and other relevant factors to assess the repayment capability of the potential lessee.

Approval Process

If the Group approves the finance lease in principle, the management of Zhonghuixin 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 the Group 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 have established several departments and 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 Zhonghuixin 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 Zhonghuixin and directly monitors the finance lease projects with the responsible staff of Zhonghuixin, 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 agreements during the Current Period.

The weighted average of the term of finance leases entered into by the Group is 1.26 years (2022 interim: 1.83 years) and all the leases require repayment by instalments. In the event the lessee breaches the finance lease contract, the Group has the right to use or 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 further diversify its finance leasing business with a prudent approach in order to maximise the long-term interests of the shareholders.

Genetic Testing and Molecular Diagnostic Services

Zentrogene Bioscience Laboratory Limited ("**Zentrogene**"), an indirect wholly-owned subsidiary of the Company, is primarily engaged in the provision of, inter alia, genetic testing and molecular diagnostic services. Zentrogene operates a laboratory with the requisite 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 Current Period, the revenue generated from genetic testing and molecular diagnostic services amounted to approximately RMB7.26 million (2022 interim: RMB2.82 million), representing a significant increase of approximately 157.4%, as compared to the corresponding period in 2022. Such significant increase was mainly due to the removal of all COVID-19 related social distance restrictions and the re-opening of the border between Hong Kong and Mainland China.

OUTLOOK

Looking forward to the second half of 2023, after the re-opening of the border of Hong Kong with mainland China and the end of all COVID-19 restrictions, sustainable economic growth will become one of the key tone of macroeconomic policies. The Group will evaluate the policies and proactively adapt to the changes, consolidate and enhance its competitive advantages. However, the Group expects that our businesses will continue to face numerous challenges as the actual pace and progress of economic recovery in China has not been as promising and encouraging as originally expected and forecasted during the Current Period. Looking ahead, the Group will continue to rigorously implement our cost control measures, maintain a flexible and prudent approach and allocate resources in an appropriate manner to strengthen its revenue base and optimise its business and financial performance.

For pharmaceutical products, the Group expects to achieve a stable sales revenue for the pharmaceutical products business. The Group will continue to expand its sales networks in order to enhance its market penetration rate. However, as a result of the significant increase in the cost of traditional Chinese herbal materials in China, the gross profit margin of our own pharmaceutical products will inevitably be adversely affected.

For finance leasing business, the Group expects the finance leasing market to remain stable. The Group will closely monitor the development of the finance leasing market as well as the trend of the interest rates while remain flexible in adjusting and optimizing its overall risk appetite and the investment portfolios.

The Group will continue to closely monitor the market developments, seek potential opportunities in existing business segments, explore and expand into other industries or geographical regions at the appropriate time and enhance the Group's future development. The Group believes that the diversification of its business will facilitate the Group's long-term development and business sustainability and provide better returns for its shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group generated a total revenue of approximately RMB61.29 million, representing an increase of approximately 9.3% as compared to approximately RMB56.08 million in the corresponding period in 2022. The increase was primarily attributed to the increase in the revenue generated in the genetic testing and molecular diagnostic service segment.

Distribution Costs

For the six months ended 30 June 2023, the distribution costs of the Group were approximately RMB0.39 million (2022 interim: approximately RMB0.53 million), representing a decrease of approximately 26.4%.

Administrative Expenses

Administrative expenses amounted to approximately RMB6.41 million for the six months ended 30 June 2023 (2022 interim: approximately RMB12.09 million), representing a decrease of approximately 47.0%. The significant decrease was mainly attributable to the share-based payments of approximately RMB9.36 million incurred as a result of share options granted by the Company in April 2022.

Gross Profit and Gross Profit Margin

Gross profit and gross profit margin for the six months ended 30 June 2023 amounted to approximately RMB24.40 million and 39.8% respectively (2022 interim: approximately RMB36.61 million and 65.3% respectively). Gross profit decreased by RMB12.21 million when compared with the corresponding period in 2022 which was mainly attributable to the significant increase in the general cost of traditional Chinese herbal materials in the PRC which in turn affected the gross profit margin in the Current Period.

Finance Costs

Finance costs for the six months ended 30 June 2023 amounted to approximately RMB0.85 million (2022 interim: RMB0.70 million). The finance costs represented the interest expenses attributable to the convertible notes issued by the Company on 9 February 2022.

Profit for the Current Period

Profit attributable to owners of the Company was approximately RMB15.54 million for the six months ended 30 June 2023, representing an increase of approximately 92.6% as compared with the profit of approximately RMB8.07 million in the corresponding period in 2022. The increase was mainly attributable to the move in sales of self-manufactured pharmaceutical products with higher profit margin exclusively through our wholly-owned subsidiary instead of our 51%-owned subsidiary.

Basic and Diluted Earnings per Share

The basic and diluted earnings per share for the six months ended 30 June 2023 was approximately RMB0.48 cents and approximately RMB0.48 cents respectively (2022 interim: both approximately RMB0.26 cents).

Liquidity and Financial Resources

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB176.70 million (as at 31 December 2022: approximately RMB21.84 million) and most cash and cash equivalents were denominated in Renminbi or Hong Kong dollars.

Capital Structure and Gearing Ratio

As at 30 June 2023, the total number of issued shares of the Company was 3,210,222,500 shares (as at 31 December 2022: 3,196,222,500 shares).

As at 30 June 2023, the share capital and equity attributable to owners of the Company amounted to approximately RMB29.87 million and approximately RMB258.62 million respectively (as at 31 December 2022: approximately RMB29.74 million and approximately RMB245.59 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 convertible notes of the Group, divided by the total equity of the Group. The gearing ratio of the Group was approximately 38.53% as at 30 June 2023 (as at 31 December 2022: approximately 45.52%).

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 2023, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. The management, however, will monitor and consider hedging foreign currency exposure should the need arise.

SIGNIFICANT ACQUISITIONS AND DISPOSAL OF INVESTMENTS

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

MEMORANDUM OF UNDERSTANDING REGARDING A PROPOSED ACQUISITION

The Group has entered into a non-legally binding memorandum of understanding (the "**MOU**") with certain shareholders (the "**Vendors**") of the Target Company (as defined below) on 9 May 2023, pursuant to which the Group intended to acquire from the Vendors not less than 51% controlling shareholding interest in 杭州綠天生物科技有限公司 (Hangzhou Greensky Biological Technology Company Limited) (the "**Target Company**") (the "**Proposed Acquisition**"). The Target Company is principally engaged in the research and development, production and sales of plant extracts, medicine intermediates and raw materials for supplements. The consideration and other detailed terms of the Proposed Acquisition will be further negotiated and agreed by the Group and the Vendors. As at the date of this announcement, the Company was still liaising with various professional advisors on the deal and the acquisition was not yet completed.

NUMBER AND REMUNERATION OF EMPLOYEES

For the six months ended 30 June 2023, the Group employed approximately 71 employees (2022 interim: 64 employees) with a total staff cost of approximately RMB3.49 million (2022 interim: approximately RMB2.63 million). The Group recruits and selects applicants 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 2023, the Group did not have significant capital expenditure for property, plant and equipment.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2023, the Group has charged the entire issued share capital of Sanai International Investment Company Limited ("**Sanai International**"), a direct wholly-owned subsidiary of the Company, as security for the convertible notes issued by the Group in February 2022 (the "**Convertible Notes**").

As at 31 December 2022, the Group has charged (i) the bank accounts of the indirect wholly-owned subsidiaries, Fujian Sanai Biotechnology Limited* (福建三愛生物科技有限公司) ("**Fujian Sanai**") and Fujian Zhixin Medicine Co., Limited* (福建至信醫藥有限公司) ("**Fujian Zhixin**"), and (ii) the entire issued share capital of Sanai International as security for the Convertible Notes. On 3 March 2023, the Company has executed the Supplemental Deed and the deed of release of account charge, pursuant to which the aforesaid charge of the bank accounts has been released.

AMENDMENTS TO THE TERMS AND CONDITIONS OF CONVERTIBLE NOTES

On 13 January 2022, the Company as the issuer, Mr. Zhi Shao Huan ("**Mr. Zhi**") and Mr. Jiang Heng Guang ("**Mr. Jiang**") as the subscribers (collectively, the "**Subscribers**"), and Fujian Sanai and Fujian Zhixin as the obligors (collectively, the "**Obligors**"), entered into a subscription agreement, pursuant to which, the Company has agreed to issue, and Mr. Zhi and Mr. Jiang have agreed to subscribe for, the Convertible Notes in the aggregate principal amount of HK$72,000,000 at the interest rate of 3% per annum and at initial conversion price of HK$0.119 per share. The bank accounts of Fujian Sanai and Fujian Zhixin were charged as security of the Convertible Notes, and the entire issued share capital of Sanai International Investment Company Limited ("**Sanai International**"), a direct wholly-owned subsidiary of the Company was charged in favour of Mr. Zhi and Mr. Jiang. Completion of the issue of Convertible Notes took place on 9 February 2022.

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

Assuming full conversion of the outstanding Convertible Notes at the amended conversion price, the outstanding Convertible Notes will be convertible into 612,244,897 conversion shares, representing approximately 19.1% of the issued share capital of the Company at the date of the Supplemental Deed and approximately 16.0% of the issued share capital of the Company as enlarged by the issue of the conversion shares upon full conversion of the Convertible Notes (based on the issued share capital as at the date of the Supplemental Deed). The conversion shares will be allotted and issued pursuant to the general mandate upon conversion of the outstanding Convertible Notes.

The Company intends to use approximately 45% of the net proceeds from the issue of the Convertible Notes for the purchase of production plant, equipment and facilities and the purchase of raw materials for pharmaceutical products, approximately 30% of the net proceeds for the enrichment of the pharmaceutical product base, including the development of new medicines and/or the acquisition of the drug licenses, and approximately 25% of the net proceeds will be used for the addition for sales points and the staff costs of additional sales staffs.

As at 30 June 2023, none of the net proceeds has been utilised.

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

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (30 June 2022: 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 2023 (2022 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.

The number of options available for grant under the mandate (and refreshed mandate) of the New Share Option Scheme as at 1 January 2023 and 30 June 2023 was 132,722,250 respectively. Other than the abovementioned share option schemes, the Company does not have other share schemes. The number of shares that may be issued in respect of options granted under those share option schemes represented approximately 2.67% of the weighted average number of Shares for the Reporting Period.

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

Category of participant	Number of Share Options: At 1 January 2023	Granted during the period	Cancelled or lapsed during the period	Exercise during the period	At 30 June 2023	Date of grant	Exercise period	Exercise price *HK$*	Closing price of the shares immediately before the date of grant *HK$*
Directors									
Professor Zhang Rongqing	22,000,000	–	22,000,000	–	–	24 May 2018	24 May 2018 to 23 May 2023	0.32	0.32
Mr. Chen Chengqing	2,800,000	–	2,800,000	–	–	30 May 2018	30 May 2018 to 29 May 2023	0.335	0.335
Mr. Gao Borui	5,000,000	–	–	–	5,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
Professor Zhang Rongqing	6,000,000	–	–	–	6,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
Mr. Xiu Yuan	10,000,000	–	–	–	10,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
	45,800,000	–	24,800,000	–	21,000,000				
Other participant									
Employees in aggregate	10,000,000	–	10,000,000	–	–	30 May 2018	30 May 2018 to 29 May 2023	0.335	0.335
Non-employees in aggregate	2,000,000	–	2,000,000	–	–	30 May 2018	30 May 2018 to 29 May 2023	0.335	0.335
Employees in aggregate	24,000,000	–	–	14,000,000	10,000,000	29 April 2022	29 April 2022 to 28 April 2032	0.084	0.078
	36,000,000	–	12,000,000	14,000,000	10,000,000				
	81,800,000	–	36,800,000	14,000,000	31,000,000				

Note: 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.

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

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

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

As at the date of this announcement, the hearing of the Appeal is in progress at the 北京市高級人民法院 (the Higher People's Court of Beijing*) and the Company has submitted various evidences and documents requested by the court. The Court has not yet made a judgement on the Appeal.

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

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, there was no important event occurred after the end of the Current Period up to the date of this announcement.

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 14 to the Listing Rules during the six months ended 30 June 2022, 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 is the Deputy Chief Executive Officer of the Company. 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.

CHANGES IN INFORMATION OF DIRECTORS

There is no change of information of the Directors subsequent to the date of the Company's 2022 Annual Report which is required to the disclosed pursuant to Rule 13.51B of the Listing Rules.

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

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 of the Company currently comprises three independent non-executive Directors, namely Mr. Khor Khie Liem Alex, Prof. Zhu Yi Zhun and Mr. Zhang Ruigen. Mr. Khor serves as the chairman of the audit committee of the Company, 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 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 that appropriate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2023 interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.1889hk.com) and the 2023 interim report of the Company containing all information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 29 August 2023

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

* *for identification purposes only*