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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)

SUPPLEMENTAL DEED AMENDMENTS TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES

Reference is made to the Previous Announcements. On 3 March 2023 (after trading hours), the Company entered into 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 to amend the Conversion Price and the Maturity Date and make certain related changes under the Instrument. The Subscribers have agreed to execute the Deed of Release of Account Charge upon satisfaction of the conditions precedent under the Supplemental Deed.

As at the date of this announcement, the Company has redeemed a total amount of HK\$12,000,000 of the principal amount of the Convertible Notes and paid all the interest accrued therein, the total outstanding principal amount of the Convertible Notes is HK\$60,000,000. The Company has a total of 3,210,222,500 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the Amended Conversion Price at HK\$0.098 per Conversion Share and assuming full conversion of the outstanding Convertible Notes at the Amended Conversion Price, the outstanding Convertible Notes will be convertible up to the maximum of 612,244,897 Shares, representing approximately 19.1% of the issued share capital of the Company as at the date of this announcement 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 outstanding Convertible Notes. The Conversion Shares will be allotted and issued pursuant to the General Mandate upon conversion of the outstanding Convertible Notes.

Under Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the Proposed Amendments pursuant to the requirements under the Listing Rules.

Shareholders and potential investors should note that the Supplemental Deed is subject to the fulfillment of the conditions precedent thereunder, and potential investors are reminded to exercise caution when dealing in the Shares or other securities of the Company.

INTRODUCTION

Reference is made to the Previous Announcements. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Previous Announcements.

On 13 January 2022 (after trading hours), the Company, the Obligors and the Subscribers entered into the Subscription Agreement, pursuant to which, on the terms and subject to the conditions therein, the Company agreed to issue, and the Subscribers agreed to subscribe for, the Convertible Notes in the aggregate principal amount of HK\$72,000,000.

As of the date of this announcement, the Company has redeemed a total amount of HK\$12,000,000 of the principal amount of the Convertible Notes and the total outstanding principal amount of the Convertible Notes is HK\$60,000,000.

SUPPLEMENTAL DEED

On 3 March 2023 (after trading hours), the Company entered into 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 have agreed to:

- (a) amend the Conversion Price to HK\$0.098 (the “**Amended Conversion Price**”) 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) (or, if that is not a Business Day, the first Business Day thereafter);
- (c) amend the terms relating to the interest payment date of the Convertible Notes due to extension of the Maturity Date;

- (d) the execution of the Deed of Release of Account Charge and release the Obligors from their covenants, undertakings, representations, warranties, liabilities and otherwise under and in connection with the Instrument save and except for any antecedent breach by the Obligors;
- (e) the execution of 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 (collectively, the “**Proposed Amendments**”).

Save for the above, other terms of the Transaction Documents remain the same.

The Amended Conversion Price of HK\$0.098 per Conversion Share represents (i) a premium of approximately 3.16% to the closing price of HK\$0.095 as quoted on the Stock Exchange on the date of the Supplemental Deed and (ii) a premium of approximately 4.48% to the average closing price of HK\$0.0938 as quoted on the Stock Exchange for the last five trading days immediately before the date of the Supplemental Deed.

Conditions Precedent

The Proposed Amendments under the Supplemental Deed are subject to the fulfillment of the following conditions precedent:

- (a) the compliance of all requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the Securities and Futures Commission of Hong Kong in relation to the Supplemental Deed and the transactions contemplated hereunder;
- (b) the Company having passed all necessary resolutions in approving, among other things, the Supplemental Deed and the transactions contemplated hereunder;
- (c) the Company having obtained all necessary approvals and consents from any government or regulatory authority or any other persons (including shareholders’ approvals) and the completion of all filings with any government or regulatory authority required for the execution of the Supplemental Deed and/or the performance of its obligations hereunder by the Company;
- (d) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the Subscribers object) listing of, and the permission to deal in, the Conversion Shares under the Instrument (as supplemented by the Supplemental Deed) upon exercise by the Subscribers of the Conversion Rights; and
- (e) the Subscribers having obtained all necessary approvals in respect of the execution of the Supplemental Deed.

If the conditions precedent have not been fulfilled on or before 31 May 2023 or such other date as may be agreed in writing between the Company and the Subscribers, the Supplemental Deed will lapse and become null and void and the parties thereto will be released from all obligations hereunder, save for liabilities for any antecedent breaches hereof.

Security of the Convertible Notes

The Company has executed two supplemental deeds, one to each of the Share Charges in favour of each of the Subscribers respectively, in which the Company acknowledges that each of the Share Charges remain binding on it.

The Subscribers have agreed to execute the Deed of Release of Account Charge upon satisfaction of the conditions precedent to the Supplemental Deed.

EQUITY FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not carried out any other equity fund raising activities in the 12 months immediately preceding the date of this announcement.

Date of announcements	Event	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds as at the date of this announcement
13 January 2022, 16 January 2022, 31 January 2022, 9 February 2022 and 9 February 2023	Issue of the Convertible Notes	HK\$71,700,000	General working capital of the Group	All of the net proceeds were used as intended

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of the Shares, based on the Amended Conversion Price and 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 (comprising 348,979,591 Conversion Shares for the outstanding Convertible Notes held by Subscriber 1 and 263,265,306 Conversion Shares for the outstanding Convertible Notes held by Subscriber 2), representing approximately 19.1% of the issued share capital of the Company as at the date of this announcement and approximately 16.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The following table illustrates (i) the existing shareholding structure of the Company; (ii) the shareholding structure immediately after full conversion of the outstanding Convertible Notes into Conversion Shares assuming no changes in the issued share capital of the Company:

	As at the date of this announcement		Immediately upon full conversion of the outstanding Convertible Notes into Conversion Shares	
	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>
Yuan Chaoyang (<i>Note</i>)	866,753,000	27.00%	866,753,000	22.68%
Subscriber 1	—	—	348,979,591	9.13%
Subscriber 2	—	—	263,265,306	6.89%
Other shareholders	<u>2,343,469,500</u>	<u>73.00%</u>	<u>2,343,469,500</u>	<u>61.30%</u>
Total	<u>3,210,222,500</u>	<u>100.00%</u>	<u>3,822,467,397</u>	<u>100.00%</u>

Note: These shares are registered in the name of Cyber Success Global Investments Limited, which is wholly-owned by Mr. Yuan Chaoyang. Mr. Yuan Chaoyang is deemed to be interested in all the shares in which Cyber Success Global Investments Limited is interested by virtue of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong). Mr. Yuan is also beneficially interested in 30,000,000 Shares.

GENERAL MANDATE TO ISSUE SHARES

The Conversion Shares will be issued under the General Mandate and therefore no separate Shareholders' approval will be obtained. As at the date of this announcement, the Directors have not exercised the power to allot and issue any Shares pursuant to the General Mandate. Accordingly, as at the date of this announcement, the Company is entitled to issue up to 613,444,500 Shares pursuant to the General Mandate. The General Mandate will be utilised as to approximately 99.80% after allotment and issue of the 612,244,897 Conversion Shares in full at the Amended Conversion Price.

APPLICATION FOR LISTING APPROVAL

Under Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the Proposed Amendments pursuant to the requirements under the Listing Rules.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

INFORMATION OF THE GROUP

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

The Obligors are the indirect wholly-owned subsidiaries of the Company. The Obligor 1 is principally engaged in investment holding and the Obligor 2 is principally engaged in marketing and sales of pharmaceutical products.

INFORMATION OF THE SUBSCRIBERS

The Subscribers are merchants.

To the best of the Directors' knowledge and having made reasonable enquiries, the Subscribers are parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

REASONS FOR ENTERING INTO THE SUPPLEMENTAL DEED

The economy this year has been highly challenging due to the outbreak of COVID-19 and trade dispute between the PRC and the United States. The Company needs more time to arrange funding to redeem the Convertible Notes at maturity. The terms of the Supplemental Deed were determined after arm's length negotiation between the Company and the Subscribers with reference to, inter alia, (a) the market price of the Shares; (b) the performance of the Company; and (c) the prevailing market condition. The Directors (including the independent non-executive Directors) are of the view that the terms of the Supplemental Deed are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

GENERAL

Shareholders and potential investors should note that the Supplemental Deed is subject to the fulfilment of the conditions precedent therein, which may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares or other securities of the Company.

DEFINITIONS

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

- “Deed of Release of Account Charge” the deed of release in respect of the Account Charge to be executed upon satisfaction of the conditions precedent to the Supplemental Deed by the Subscribers as chargees in favour of the Obligors as chargors to terminate the Share Charge and release the Obligors from their obligations under the Account Charge on the terms set forth therein
- “General Mandate” the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8 June 2022, pursuant to which up to 613,444,500 new Shares may fall to be allotted and issued under such mandate
- “Previous Announcements” the announcements of the Company dated 13 January 2022, 16 January 2022, 31 January 2022, 9 February 2022 and 9 February 2023 respectively
- “Supplemental Deed” the supplemental deed of Instrument dated 3 March 2023 and entered into among the Company, the Obligors and the Subscribers relating to the Proposed Amendments
- “Transaction Documents” the Subscription Agreement, the Instrument, the Share Charges, the Account Charge, other agreements, security documents, instruments, certificates executed or entered into pursuant to or in connection with any of the foregoing

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

Hong Kong, 3 March 2023

As at the date of this announcement, the board of directors of the Company 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.