

Sentage Holdings Inc. Announces Financial Results for Fiscal Year 2021

July 18, 2022

SHANGHAI, July 18, 2022 /PRNewswire/ -- Sentage Holdings Inc. (the "Company", "we", "our") (Nasdaq: SNTG), a Cayman Islands company that offers a comprehensive range of financial services across consumer loan repayment and collection management, loan recommendation, and prepaid payment network services, through its China-base operating entities, today announced its financial results for the fiscal year ended December 31, 2021. The following summarizes such financial results.

Financial Highlights for Fiscal Year 2021

- Total operating revenue was \$2.26 million for fiscal year 2021, compared with \$3.59 million for fiscal year 2020, representing a 37.1% decrease, primarily due to the fact that the outstanding servicing agreements under the consumer loan repayment and collection management business were fully completed in fiscal year 2021 and revenues from this business were significantly reduced in fiscal year 2021.
- Net loss was \$1.09 million for fiscal year 2021, compared with net income of \$1.59 million for fiscal year 2020.
- Basic and diluted loss per share was \$0.09 for fiscal year 2021, compared with basic and diluted earnings per share of \$0.16 for fiscal year 2020.

Impact of the COVID-19 Pandemic

In early 2022, the Omicron variant of COVID-19 spread in China, especially in Jilin Province, Shenzhen and Shanghai where strict lockdowns were imposed. The Sentage Operating Companies' business facilities in Shanghai, China, were temporarily closed starting from April 2022 to the first week of June 2022, as a result of local government's efforts to contain the resurgence of the COVID-19. A COVID-19 resurgence may again give rise to economic downturns and other significant changes in regional and global economic conditions. As a result of COVID-19, borrowers' default and delinquency risks might increase as they experience unemployment or reduced income. Any higher default and delinquency risks may increase our operating costs and require us to dedicate more resources to maintain our current collection rate for the loan repayment and collection management business and may pose risk-management challenges for our loan recommendation business. If the COVID-19 situation deteriorates, our service capacity, operational efficiency and results of operations may be adversely affected.

Financial Results for Fiscal Year 2021

Revenues

Total operating revenue decreased by \$1.33 million, or 37.1%, to \$2.26 million for fiscal year 2021, from \$3.59 million for fiscal year 2020. The decrease in revenues was primarily due to the fact that the outstanding servicing agreements under the consumer loan repayment and collection management business were fully completed in fiscal year 2021 and revenues from this business were significantly reduced in fiscal year 2021.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$1.63 million, or 115%, to \$3.04 million for fiscal year 2021, from \$1.41 million for fiscal year 2020. This increase was mainly due to the fees incurred in connection with our initial public offering.

Other Income (Expenses)

Net other expense was \$56,931 for fiscal year 2021, an increase of \$56,577 from net other expense of \$354 for fiscal year 2020. This increase was due to an additional asset impairment loss in fiscal year 2021.

Provision for Income Taxes

Provision for income taxes decreased by \$0.33 million, or 56.6%, to \$0.26 for fiscal year 2021, from \$0.59 million for fiscal year 2020. This decrease was due to our decreased taxable income.

Net Income/(Loss)

Net loss was \$1.09 million for fiscal year 2021, compared with net income of \$1.59 million for fiscal year 2020.

Earnings/(Loss) Per Share

Basic and diluted loss per share was \$0.09 for fiscal year 2021, compared with basic and diluted earnings per share of \$0.16 for fiscal year 2020.

Cash and Cash Equivalents

As of December 31, 2021, the Company had cash and restricted cash of \$10.78 million, compared with \$0.14 million as of December 31, 2020.

Cash Flow

Net cash used in operating activities was \$0.38 million for fiscal year 2021, compared with net cash provided by operating activities of \$0.47 million for fiscal year 2020.

Net cash used in investing activities was \$5.52 million for fiscal year 2021, compared with \$nil for fiscal year 2020.

Net cash provided by financing activities was \$16.40 million for fiscal year 2021, compared with net cash used in financing activities of \$0.58 million for the same period of last year.

About Sentage Holdings Inc.

Sentage Holdings Inc., headquartered in Shanghai, China, is a financial service provider that offers a comprehensive range of financial services which primarily include consumer loan repayment and collection management, loan recommendation, and prepaid payment network services, through its China-based operating entities. Leveraging the Company's strategic partner relationships and proprietary valuation models and technologies, it is committed to working with its clients to understand their financial needs and challenges and offer customized services to help them meet their financial objectives. For more information, please visit the company's website at ir.sentageholdings.com.

Forward-Looking Statement

Certain statements in this announcement are forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties and are based on current expectations and projections about future events and financial trends that the Company believes may affect its financial condition, results of operations, business strategy and financial needs. Investors can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward-looking statements are reasonable, it cannot assure you that such expectations will turn out to be correct, and the Company cautions investors that actual results may differ materially from the anticipated results and encourages investors to review risk factors that may affect its future results in the Company's registration statement. In addition, there is uncertainty about the further spread of the COVID-19 virus or the occurrence of another wave of cases and the impact it may have on the Company's operations, the demand for the Company's services and economic activity in general. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated or expected.

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SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2020	2021
	USD	USD
ASSETS		
Current assets		
Cash and cash equivalents	\$ 117,434	\$ 10,753,118
Restricted cash	22,948	30,269
Loan receivable	-	5,500,000
Accounts receivable, net	1,221,844	403,708
Deferred initial public offering costs	765,885	-
Prepaid expenses and other current assets	383,041	515,062
Total current assets	2,511,152	17,202,157
Non-current assets		
Plant and equipment, net	123,672	120,280
Intangible assets, net	61,797	30,547
Deferred tax assets	87,967	13,724
Total non-current assets	273,436	164,551
Total assets	\$ 2,784,588	\$ 17,366,708

SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (Continued)

	As of December 31,	
	2020	2021
	USD	USD
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		

Accounts payable	\$ 4,912	\$ 2,743
Contract liabilities	154,106	-
Accrued expenses and other current liabilities	<u>336,467</u>	<u>379,991</u>
Total current liabilities	<u>495,485</u>	<u>382,734</u>
Non-current liability		
Due to a related party, non-current	<u>1,437,661</u>	<u>161,020</u>
Total non-current liability	<u>1,437,661</u>	<u>161,020</u>
Total liabilities	<u>1,933,146</u>	<u>543,754</u>
Shareholders' equity		
Ordinary shares, \$0.001 par value, 50,000,000 shares authorized, 14,000,000 shares issued and outstanding*	10,000	14,000
Additional paid in capital	38,419,832	55,327,885
Statutory reserves	-	166,038
Accumulated deficit	(37,639,385)	(38,898,664)
Accumulated other comprehensive income	<u>60,995</u>	<u>213,695</u>
Total shareholders' equity	<u>851,442</u>	<u>16,822,954</u>
Total liabilities and shareholders' equity	<u>\$ 2,784,588</u>	<u>\$ 17,366,708</u>

*Retrospectively restated for effect of 1-for-1,000 forward split of the Ordinary Shares.

SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND OTHER COMPREHENSIVE INCOME

	For the years ended December 31,		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
OPERATING REVENUE			
Consumer loan repayment and collection management service fees	\$ 3,618,823	\$ 1,074,734	\$ 156,062
Loan recommendation service fees	260,388	2,087,717	1,177,822
Prepaid payment network service fee	<u>86,052</u>	<u>432,958</u>	<u>928,565</u>
Total operating revenue	<u>3,965,263</u>	<u>3,595,409</u>	<u>2,262,449</u>
OPERATING EXPENSE			
Selling, general and administrative expenses	<u>1,528,043</u>	<u>1,414,979</u>	<u>3,041,415</u>
Total operating expenses	<u>1,528,043</u>	<u>1,414,979</u>	<u>3,041,415</u>
INCOME(LOSS) FROM OPERATIONS	<u>2,437,220</u>	<u>2,180,430</u>	<u>(778,966)</u>
OTHER INCOME (EXPENSES)	<u>8,495</u>	<u>(354)</u>	<u>(56,931)</u>
INCOME(LOSS) BEFORE INCOME TAX PROVISION	<u>2,445,715</u>	<u>2,180,076</u>	<u>(835,897)</u>
INCOME TAX EXPENSE	<u>611,362</u>	<u>592,701</u>	<u>257,344</u>
NET INCOME(LOSS)	<u>1,834,353</u>	<u>1,587,375</u>	<u>(1,093,241)</u>
OTHER COMPREHENSIVE INCOME			
Foreign currency translation adjustment	<u>33,571</u>	<u>36,993</u>	<u>152,700</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 1,867,924</u>	<u>\$ 1,624,368</u>	<u>\$ (940,541)</u>
Earnings(loss) per common share- basic and diluted	<u>\$ 0.18</u>	<u>\$ 0.16</u>	<u>\$ (0.09)</u>
Weighted average shares- basic and diluted	<u>10,000,000</u>	<u>10,000,000</u>	<u>11,873,973</u>

*Retrospectively restated for effect of 1-for-1,000 forward split of the Ordinary Shares.

SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
	2019	2020	2021
Cash flows from operating activities			
Net income (loss)	\$ 1,834,353	\$ 1,587,375	\$ (1,093,241)
Adjustments to reconcile net income to cash and restricted cash provided by (used in) operating activities:			
Depreciation and amortization	57,022	53,520	62,971
Gain on disposal of plant and equipment	(10,747)	-	-
Deferred income tax expense	611,362	592,701	74,243
Impairment loss recognised in respect of receivables	-	-	54,896
Changes in operating assets and liabilities:			
Accounts receivable	(238,609)	(918,303)	763,240
Prepaid expenses and other current assets	(12,598)	90,290	(132,021)
Accounts payable	2,113	-	-
Contract liabilities	(3,618,822)	(1,056,406)	(154,106)
Accrued expenses and other current liabilities	668	116,033	41,354
Net cash provided by (used in) used in operating activities	(1,375,258)	465,210	(382,664)
Cash flows from investing activities			
Additions to plant and equipment	-	-	(19,977)
Investment in loans receivable	-	-	(5,500,000)
Proceeds from disposal of plant and equipment	10,747	-	-
Net cash provided by(used in) investing activities	10,747	-	(5,519,977)
Cash flows from financing activities			
Deferred initial public offering costs	-	(765,885)	765,885
Proceeds from IPO	-	-	16,912,053
Proceeds from (Repayment to) related party loans	1,443,234	180,026	(1,276,641)
Net cash provided by (used in) financing activities	1,443,234	(585,859)	16,401,297
Reconciliation of cash and restricted cash, beginning of year			
Cash	142,715	227,387	117,434
Restricted cash	22,653	23,644	22,948
Cash and restricted cash, beginning of year	\$ 165,368	\$ 251,031	\$ 140,382
Reconciliation of cash and restricted cash, end of year			
Cash	227,387	117,434	10,753,118
Restricted cash	23,644	22,948	30,269
Cash and restricted cash, end of year	\$ 251,031	\$ 140,382	\$ 10,783,387
Effect of exchange rate changes on cash and restricted cash	6,940	10,000	144,349
Net increase (decrease) in cash and restricted cash	85,663	(110,649)	10,643,005
Cash and restricted cash, beginning of year	165,368	251,031	140,382
Cash and restricted cash, end of year	\$ 251,031	\$ 140,382	\$ 10,783,387
Supplemental disclosure of cash flow information			
Amount converted from shareholder loans to capital	\$ 1,148,106	\$ -	\$ -

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