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New Ray Medicine  
新銳醫藥

## **New Ray Medicine International Holding Limited**

**新銳醫藥國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 6108)**

### **UPDATE ON RESUMPTION OF TRADING**

This announcement is made by New Ray Medicine International Holding Limited (“**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Rules 13.09(2) and 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (“**Listing Rules**”) and the provisions on disclosure of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”).

Reference is made to the announcements of the Company dated 6 October 2017 and 12 January 2018 in relation to, among other matters, the letter dated 6 October 2017 issued by the Securities and Futures Commission of Hong Kong (“**SFC**”) to the Company and the suspension of trading in the Shares (“**Suspension**”), the announcements of the Company dated 25 May 2018, 4 June 2018, 1 August 2018, 1 November 2018, 1 February 2019, 2 May 2019, 2 August 2019, 1 November 2019, 31 January 2020, 29 April 2020, 31 July 2020, 30 October 2020, 29 January 2021, 30 April 2021, 30 July 2021, 29 October 2021 and 31 January 2022 in relation to the periodic update on the Suspension, as well as the announcements of the Company dated 30 July 2018 and 8 January 2020 in relation to the amendment of the Listing Rules which came into effect on 1 August 2018 (collectively, referred to as the “**Announcements**”). Unless defined otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

## RECENT DEVELOPMENT OF TRADING RESUMPTION

The board (“**Board**”) of directors (“**Directors**”) of the Company is pleased to announce that the trading of the shares in the Company (“**Shares**”) on the Stock Exchange will resume at 9:00 a.m. on 22 March 2022, subject to the conditions imposed by the SFC as set out below.

As disclosed in the Announcements, the Company has been communicating with the SFC to address and resolve the SFC’s concerns with the aim of resuming trading of the Shares. At the request of the SFC, a reputable independent consulting firm (as agreed by the SFC), namely, BT Corporate Governance Limited (“**Independent Consultant**”), has been engaged to conduct a review of the Group’s internal control system. Such review has been completed and a report (“**IC Report**”) has been issued to the Company and the SFC.

The Board confirms that the Company is now being managed by the Directors and senior management who are free from the control or influence of Mr. Zhou Ling, Ms. Yang Fang and/or Mr. Dai Haidong, the former Directors.

The Company has been informed that the SFC has considered the information submitted by the Company, and the SFC has, by notice to the Stock Exchange and will, pursuant to section 9(3) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (“**SMLR**”), permit resumption in the dealings of the Shares subject to the following conditions (each, a “**Resumption Condition**”):

- (1) the Company shall publish this announcement;
- (2) the Company undertakes to:
  - (a) implement all the recommendations for improvement made by the Independent Consultant in the IC Report;
  - (b) procure the Independent Consultant to perform a follow-up review as at 31 December 2021 to assess whether the recommendations in the IC Report have been properly implemented by the Company; and
  - (c) procure the Independent Consultant to submit a report on the follow-up review to the Company and the SFC Executive for review at the same time;
- (3) the Company shall publish an announcement regarding the results of the follow-up review; and
- (4) the Company’s current management shall provide an undertaking that they will ensure strict adherence to the revised code of conduct and compliance with the revised internal control systems in managing the Company’s business.

The Company fulfils the first Resumption Condition by publishing this announcement.

## THE IC REPORT

The Independent Consultant reviewed the Group's internal control system with an observation period of 1 January 2015 to 31 May 2020, and with focus on: (i) investments in companies; (ii) conflict of interest; (iii) management of the Company (including assessment of whether directors and staff in positions of senior management have the appropriate qualifications and experience to manage the Company); (iv) corporate governance; (v) business transactions; and (vi) risk assessment.

Having completed the above review, the Independent Consultant has identified the following internal control deficiencies.

The IC Report noted that, among other things:

- (i) *investments in companies* – the Company had established policies and procedures for investments in companies (both listed and non-listed) and such policies and procedures had been properly circulated to the Board, management and staff for implementation. The Company also had certain controls for the investments in listed companies and non-listed companies and board approval procedures. Valuation report, due diligence report and/or audited report were obtained by the Company for the purpose of the acquisitions. However, some of the written policies of the Company in place were not sufficient to address internal control deficiencies, e.g. the lack of coverage as to how an acquisition and relevant consideration are considered and determined and the lack of the requirements for an investment report and written evidence for the assessment of a potential acquisition. Further, the Company did not establish written policies and procedures and maintain proper records and reports in respect of a number of areas, e.g. the procedures for assessment of the reasonableness of the consideration and verification of financial information of a potential acquisition.
- (ii) *conflict of interest* – the Company had established policies and procedures for handling conflict of interests. Benefits (including personal loans) were not allowed to be provided to third parties by the Company under the policies and procedures. However, it was noted that annual declaration of interests by the chairman of the Board, Directors and senior management of the Company would only be obtained by the Company when necessary. There were also no written policies in relation to the restriction of the provision of personal loan by Directors to third party(ies) who have business dealings with the Company and the handling of conflict of interests of the chairman of the Board.
- (iii) *management of the Company* – the Company had established policies and procedures for election of Directors and such policies and procedures had been properly circulated to the Board, management and staff for implementation. Supporting documents in relation to the qualifications and experience of the Directors and senior management of the Company, e.g. academic and professional certificates and reference letters would be obtained by the Company. However, there was an absence of written policies for the review and assessment of the qualification and eligibility of Directors and senior management of the Company.

- (iv) *corporate governance* – supporting documents for the appointment of Directors, such as the board minutes, consent to act as a Director and letter of appointment, were obtained by the Company. However, there were no written policies for the requirements of qualifications and experience of Directors, as well as for the appointment of consultants and advisers of the Company and their respective roles and involvement in the management of the Company. The Company had established policies and procedures in relation to the Code for Securities Transactions and the Continuous Disclosure Obligations. The Code for Securities Transactions set out the required standards for Director when dealings in securities of the Company while the Continuous Disclosure Obligations documented the system for monitoring its businesses so that potentially price sensitive information or transaction can be escalated to the senior management of the Company in a timely manner. However, there were insufficient compliance management procedures in the existing policy of the Company.
- (v) *business transactions* – the Company had established the policies and procedures for expenditure, cheque requisitions and purchasing management. Annual financial budget and monthly variance analysis were prepared and reviewed for monitoring and reporting of operating performance of the Company. All transactions involving material amounts would be carried out in accordance with the Listing Rules. It was noted that supporting documents for the transactions involving material amounts conducted by the Company were obtained. Nevertheless, the Company did not have written policies for the decision making and approval, the checks and balances over the management’s authority and the monitoring and reporting of the operating performance regarding material transactions and the responsible person for keeping cheques and maintaining the cheque register.
- (vi) *risk assessment* – the Company had established policies and procedures for risks assessment and management covering aspects of risk identification and assessment of the Company’s operating structure and processes and the development of a risk register and a risk mitigation plan for the top 5 risks in the risk assessment matrix. Furthermore, the Company had also established policies and procedures for management of theft, fraud and other dishonest acts which encouraged employees to report concerns of fraud, illegal acts, immoral events, misconduct and/or malpractice. Fraud risk questionnaires are required to be given by the Directors on an annual basis. However, the existing policy of the Company did not specify the responsibilities of the Board, the audit committee of the Board and the risk owners with regard to the risk assessment and management process.

In respect of the internal control deficiencies identified above, the Independent Consultant made the following recommendations to the Company in the IC Report:

- (a) *investments in companies* – the Company should enhance the existing policies regarding investments in listed companies by including the procedures of how an acquisition should be considered and determined, and what steps the management should take to assess the reasonableness and bases and assumptions adopted, to collect, obtain and verify the financial information provided by the potential vendors and to prepare the investment report. The existing policies of the Company regarding investments in

non-listed companies should also be enhanced by including the procedure of how the consideration is to be determined, the steps the management should take to assess the reasonableness of the consideration, how to verify the financial information provided by the potential vendors, and to prepare the investment report. The Company should maintain proper records and reports for all investments with all supporting documents.

- (b) *conflict of interest* – the Company should enhance the policies and procedures for handling conflict of interests by stating (i) that the Directors are not allowed to provide personal loans to third parties who have business dealings with the Company; (ii) the procedures and controls to govern the situation where the chairman of the Board has conflict of interests; and (iii) that the declaration of interest should be given by the chairman of the Board, Directors and management of the Company annually. The Company should also set up policy of regulatory compliance for ensuring compliance with the SFO and the Listing Rules.
- (c) *management of the Company* – the Company should enhance the policies and procedures for election of Directors by stating how the Company reviews and assesses the qualifications and experience of Directors and senior management of the Company. The Company should also maintain records of the assessments performed regarding qualifications and experience of the Directors and senior management so appointed.
- (d) *corporate governance* – the Company should enhance the existing policies by stating the requirements with regard to the qualifications and experience required for the Directors and also the procedures for the appointment of consultants and advisors, the role of consultants and advisors, the participation of consultants and advisors in the management and control of the Company and the attendance of consultants and advisors at the management meetings and the board meetings. The Company should also set up the policies of regulatory compliance management in order to ensure that its compliance with the SFO and the Listing Rules.
- (e) *business transactions* – the Company should enhance its existing policies by (i) stating the decision making and approval procedures regarding the entering into of the transactions involving material amounts; (ii) including the checks and balances over the management’s authority regarding the entering into of the transactions involving material amounts; and (iii) stating the responsible persons for keeping cheques and maintaining cheque register.
- (f) *risk assessment* – the Company should enhance the existing risk assessment and management policy by elaborating the responsibilities of the Board, the audit committee of the Board and the risk owners with regard to the risk assessment and management process.

With reference to the second Resumption Condition, the Company (i) has enhanced the relevant internal control policies and procedures as recommended by the Independent Consultant and will maintain proper records and reports together with the relevant supporting documents; (ii) will procure the Independent Consultant to perform a follow-up review as at 31 December 2021 to assess whether the Independent Consultant's recommendations in the IC Report have been properly implemented by the Company; and (iii) procure the Independent Consultant to submit a report on the follow-up review to the Company and the SFC Executive for concurrent review. Further announcement shall be made by the Company in respect of the follow-up review report in due course as required under the third Resumption Condition.

With reference to the fourth Resumption Condition, the current members of the Board and senior management of the Company have provided an undertaking that they will ensure strict adherence to the revised code of conduct and compliance with the revised internal control system in managing the Company's business.

## **RESUMPTION OF TRADING**

Trading in the Shares has been suspended with effect from 9:00 a.m. on 6 October 2017.

The SFC has notified the Stock Exchange that the trading in the Shares will be permitted to recommence pursuant to section 9(3) of the SMLR with effect from 9:00 a.m. on 22 March 2022.

**Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company upon resumption of trading. Shareholders of the Company and potential investors are advised that notwithstanding the resumption of trading, if at any time it appears to the SFC that there has been a failure to comply with any of the Resumption Conditions, the SFC has the power to suspend dealings in the Shares under section 8(1)(d) of the SMLR.**

On behalf of the Board  
**New Ray Medicine International Holding Limited**  
**Wang Qiuqin**  
*Chairman & Executive Director*

Hong Kong, 21 March 2022

*As of the date of this announcement, the executive Directors are Ms. Wang Qiuqin, Mr. Huo Zhihong and Mr. Chu Xueping; and the independent non-executive Directors are Mr. Leung Chi Kin, Ms. Li Sin Ming, Ivy and Mr. Sy Lai Yin, Sunny.*