



**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

**2022**

**INTERIM REPORT**

# CONTENTS

Corporate Information	<b>2</b>
Financial Highlights	<b>3</b>
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	<b>4</b>
Condensed Consolidated Statement of Financial Position	<b>5</b>
Condensed Consolidated Statement of Changes in Equity	<b>6</b>
Condensed Consolidated Statement of Cash Flows	<b>7</b>
Notes to the Condensed Consolidated Financial Statements	<b>8</b>
Management Discussion and Analysis	<b>19</b>
Other Information	<b>35</b>

## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Ms. Wang Qiuqin (*Chairman and Chief Executive Officer*)

Mr. Huo Zhihong

Mr. Chu Xueping

#### Independent Non-executive Directors

Mr. Leung Chi Kin

Ms. Li Sin Ming, Ivy

Mr. Sy Lai Yin, Sunny

### Board Committees

#### Audit Committee

Ms. Li Sin Ming, Ivy (*Chairman*)

Mr. Leung Chi Kin

Mr. Sy Lai Yin, Sunny

#### Remuneration Committee

Mr. Leung Chi Kin (*Chairman*)

Ms. Li Sin Ming, Ivy

Mr. Sy Lai Yin, Sunny

#### Nomination Committee

Mr. Leung Chi Kin (*Chairman*)

Ms. Li Sin Ming, Ivy

Mr. Sy Lai Yin, Sunny

#### Corporate Governance Committee

Ms. Wang Qiuqin (*Chairman*)

Mr. Huo Zhihong

Mr. Sy Lai Yin, Sunny

### Company Secretary

Mr. Lai Kwok Wa, *HKICPA*

### Auditor

Moore Stephens CPA Limited

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

### Stock Code

6108

### Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### Headquarters

B-C, 37/F

Dikai International Center

19 Dangui Road

Hangzhou, the People's Republic of China

### Principal Place of Business in Hong Kong

Room 911B, 9th Floor

Tower 1, Silvercord

No. 30 Canton Road

Kowloon, Hong Kong

### Principal Banker

Agricultural Bank of China

### Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

17/F

Far East Finance Centre

16 Harcourt Road

Hong Kong

### Website

[www.newraymedicine.com](http://www.newraymedicine.com)

## **FINANCIAL HIGHLIGHTS**

### **For the six months ended 30 June 2022:**

- The Group recorded a revenue of approximately HK\$59,293,000 for the six months ended 30 June 2022, which has decreased by approximately 72.4% when compared to that of approximately HK\$214,491,000 for the corresponding period in 2021.
- The Group recorded a change from a net profit attributable to owners of the Company of approximately HK\$1,133,000 for the six months ended 30 June 2021 to a net loss attributable to owners of the Company of approximately HK\$21,378,000 for the six months ended 30 June 2022.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: nil).

### **As at 30 June 2022:**

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2022 (31 December 2021: approximately 1.8%).

The board (“**Board**”) of directors (“**Directors**”) of New Ray Medicine International Holding Limited (“**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (“**Period**”) together with the comparative unaudited figures for the corresponding period in 2021 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	4	59,293	214,491
Cost of sales		(55,690)	(194,388)
Other income, gains and losses	5	3,603	20,103
Selling and distribution expenses		(5,042)	(578)
Administrative expenses		(6,949)	(7,437)
Finance costs		(11,707)	(10,196)
Share of profit of associates		(147)	(52)
Impairment loss on trade and other receivables		–	1,110
		(1,136)	(1,817)
(Loss) profit before tax		(21,378)	1,133
Income tax expense	6	–	–
(Loss) profit for the period attributable to owners of the Company	7	(21,378)	1,133
<b>Other comprehensive (expense) income for the period:</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of functional currency to presentation currency			
– Subsidiaries		(14,079)	5,043
– Associates		–	283
Fair value gain on equity instruments at fair value through other comprehensive income		541	17,371
Other comprehensive (expense) income for the period		(13,538)	22,697
<b>Total comprehensive (expense) income for the period</b>		<b>(34,916)</b>	<b>23,830</b>
(Loss) profit for the period attributable to owners of the Company		(21,378)	1,133
Total comprehensive (expense) income for the period attributable to owners of the Company		(34,916)	23,830
(Loss) earnings per share			
– Basic and diluted ( <i>HK cent</i> )	9	(1.28)	0.07

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	17,799	10,933
Right-of-use assets	10	20,632	20,420
Prepayment for a distribution right		8,994	11,381
Intangible assets		5,769	7,012
Club debenture		585	612
Equity instruments at fair value through other comprehensive income	11	129,631	127,654
		<b>183,410</b>	178,012
<b>Current assets</b>			
Inventories	12	68,084	125,307
Trade and other receivables	13	227,124	204,661
Prepayment for a distribution right		3,742	3,914
Bank balances and cash		151,891	150,153
		<b>450,841</b>	484,035
<b>Current liabilities</b>			
Other payables	14	16,148	7,429
Lease liabilities	10	970	543
Tax payable		–	147
Bank borrowing		–	11,375
		<b>17,118</b>	19,494
<b>Net current assets</b>		<b>433,723</b>	464,541
<b>Total assets less current liabilities</b>		<b>617,133</b>	642,553
<b>Non-current liabilities</b>			
Lease liabilities	10	604	921
Deferred tax liabilities		8,480	9,060
		<b>9,084</b>	9,981
		<b>608,049</b>	632,572
<b>Capital and reserves</b>			
Share capital	15	83,592	83,592
Share premium and reserves		524,457	548,980
Equity attributable to owners of the Company		<b>608,049</b>	632,572

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (note a)	PRC statutory reserve HK\$'000 (note b)	Fair value through other comprehensive income ("FVTOCI") (non-recycling reserve) HK\$'000 (note c)	Share options reserve HK\$'000	Translation reserve HK\$'000 (note d)	Retained profits HK\$'000	Total HK\$'000
At 1 January 2022	83,592	607,614	50,167	23,729	(153,070)	-	4,977	15,563	632,572
Loss for the Period	-	-	-	-	-	-	-	(21,378)	(21,378)
Other comprehensive expense for the Period	-	-	-	-	541	-	(14,079)	-	(13,538)
Total comprehensive expense for the Period	-	-	-	-	541	-	(14,079)	(21,378)	(34,916)
Recognition of equity-settled share-based payments	-	-	-	-	-	10,393	-	-	10,393
At 30 June 2022 (unaudited)	83,592	607,614	50,167	23,729	(152,529)	10,393	(9,102)	(5,815)	608,049
At 1 January 2021	83,592	607,614	50,167	23,729	(172,671)	-	(10,865)	24,358	605,924
Profit for the period	-	-	-	-	-	-	-	1,133	1,133
Other comprehensive income for the period	-	-	-	-	17,371	-	5,326	-	22,697
Total comprehensive income for the period	-	-	-	-	17,371	-	5,326	1,133	23,830
Exchange difference released upon disposal/deemed disposal of an associate	-	-	-	-	-	-	6,410	(6,410)	-
At 30 June 2021 (unaudited)	83,592	607,614	50,167	23,729	(155,300)	-	871	19,081	629,754

### Notes:

- (a) Included in contributed surplus, HK\$70,167,000 represents the difference arising from share swap pursuant to the Group's reorganisation during the year ended 31 December 2013, such amount is net off with dividend declaration of HK\$20,000,000 during the year ended 31 December 2014.
- (b) For the Company's subsidiaries, 浙江新銳醫藥有限公司 (in English, for identification purpose only, Zhejiang Xin Rui Pharmaceutical Co. Ltd.) ("**Zhejiang Xin Rui**") and 浙江泓銳貿易有限公司 (in English, for identification purpose only, Zhejiang Hong Rui Trading Co. Ltd.) ("**Hong Rui Trading**"), as stipulated by the relevant laws and regulations in the People's Republic of China ("**PRC**"), they are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out on 10% of the net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries in accordance with relevant laws and regulations applicable to PRC enterprises. The statutory surplus reserve fund can be used to make up prior years' losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The statutory surplus reserve can be released to the retained profits upon the dissolution or winding up of the entity.
- For 泓銳 (杭州) 生物醫藥科技有限公司 (in English, for identification purpose only, Hong Rui (Hangzhou) Bio-medical Technology Co. Ltd.) ("**Hong Rui Bio-medical**"), another subsidiary of the Company, as it is a wholly foreign-owned enterprise, appropriation to statutory surplus reserve fund is based on the management's discretion.
- (c) Any cumulative gains or losses arising from the revaluation of the Group's equity instruments at FVTOCI have been recognised in the FVTOCI (non-recycling) reserve in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained profits.
- (d) Translation reserve represents exchange differences relating to the translation of the net assets of the Group from their functional currencies to presentation currency of the Group (i.e. Hong Kong dollar) which are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve will not be reclassified subsequently to profit or loss of the Group.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash inflow (outflow) from operating activities	<b>17,373</b>	(48,588)
Net cash inflow from investing activities	<b>3,954</b>	53,464
Net cash outflow from financing activities	<b>(12,755)</b>	(834)
Net increase in cash and cash equivalents	<b>8,572</b>	4,042
Cash and cash equivalents at the beginning of the period	<b>150,153</b>	65,755
Effect of foreign exchange rate changes	<b>(6,834)</b>	(1,126)
Cash and cash equivalents at the end of the period		
Represented by bank balances and cash	<b>151,891</b>	68,671

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 1. GENERAL INFORMATION

New Ray Medicine International Holding Limited was incorporated on 9 August 2012 and registered as an exempted company with limited liability in Bermuda.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The addresses of the registered office and principal place of business in Hong Kong of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 911B, 9th Floor, Tower 1, Silvercord, No. 30 Canton Road, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. Its major operating subsidiaries are principally engaged in the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in the PRC.

The Company's functional currency is Renminbi ("**RMB**"). However, the condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**") for the convenience of shareholders as it is listed in Hong Kong Special Administrative Region ("**Hong Kong**").

As stated in the consolidated financial statements of the Company for the year ended 31 December 2020, the Securities and Futures Commission ("**SFC**") on 6 October 2017 issued a direction to suspend trading in the shares of the Company with effect from 6 October 2017 (the "**Suspension**") as it appeared to the SFC that, *inter alia*, the announcements of the Company in relation to the acquisition of 50% interest in Saike International Medical Group Limited ("**Saike International**") and the announcements of the Company in relation to the acquisition of 15% interest in Eternal Charm International Limited (now known as WinHealth International Company Limited) ("**WinHealth International**") (collectively, the "**Acquisitions**") may have contained materially false, incomplete or misleading information.

On 12 January 2018, the Company further announced that in view of the Suspension, the Board has established an independent board committee ("**IBC**") comprising two Independent Non-executive Directors, whose scope of the primary duties includes:

- (i) conduct an independent investigation into the issues relating to the Acquisitions and to obtain external legal or other independent professional advice if required; and
- (ii) deal with the issues and matters in relation to the Suspension.

Mr. Sy Lai Yin, Sunny, an Independent Non-executive Director appointed on 24 September 2018, was also appointed as a member of the IBC on the same day.

On 1 November 2018, the Company announced that Grant Thornton Advisory Services Limited was appointed as an independent investigator by the IBC to assist in the investigation.

On 8 January 2020, the Company announced that after consultation with the SFC, the Stock Exchange would, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") should trading in the securities of the Company remain suspended on 31 January 2020. If the Stock Exchange is not satisfied that the Company has taken and is taking all reasonable steps to procure a resumption of trading, the Stock Exchange is likely to proceed to delist the Company without further delay.

On 30 October 2020, the Company announced that the Company has also engaged BT Corporate Governance Limited ("**BTCGL**") in September 2020 to conduct an independent internal control review in respect of the adequacy and effectiveness of the Group's internal control systems in relation to the following areas, namely, investments in companies, conflict of interest, management of the Company, corporate governance, business transactions and risk assessment.

On 17 November 2020, the Company was served a sealed copy of a petition dated 16 November 2020 filed in the High Court of Hong Kong ("**Court**") by the SFC pursuant to section 214 of the Securities and Futures Ordinance ("**SFO**") ("**Petition**"). The Petition named three respondents. Apart from the Company, the other two parties named as respondents under the Petition are two former Directors, namely, Mr. Zhou Ling ("**Mr. Zhou**") and Mr. Dai Haidong ("**Mr. Dai**") who retired and resigned from their positions as Executive Directors on 27 June 2018 and 5 November 2015 respectively.

## 1. GENERAL INFORMATION (Continued)

As stated in the Petition, the SFC alleged that, during the period from 2015 to 2018, each of Mr. Zhou and Mr. Dai has been wholly or partly responsible for the business or affairs of the Company (in relation to the Acquisitions and various artificial transactions involving dealings in a number of pharmaceutical products) having been conducted in a manner (i) involving misfeasance or other misconduct towards it or its members or any part of its members; (ii) resulting in its members or any part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and/or (iii) unfairly prejudicial to its members or any part of its members.

In particular, the SFC alleged that, *inter alia*, (1) Mr. Zhou and Mr. Dai had breached their duties as Directors in relation to the Group's acquisition of 50% interest in Saike International (details of such acquisition were disclosed in the announcements of the Company dated 14 February 2015, 20 March 2015, 26 June 2015 and 16 July 2015); (2) Mr. Zhou had made a secret profit in the sum of HK\$26 million out of the Group's acquisition of 15% interest in Eternal Charm International Limited (currently known as WinHealth International Company Limited) (details of such acquisition were disclosed in the announcements of the Company dated 5 December 2016 and 14 March 2017); and (3) Mr. Zhou was responsible for misfeasance and/or misconduct which was unfairly prejudicial to the members or any part of the members of the Company, comprising various artificial transactions involving dealings in a number of pharmaceutical products ("**Artificial Transactions**"). Further details of the matters were disclosed in the announcement of the Company dated 18 November 2020.

No order or relief is sought against the Company in the Petition. The Petition was fixed to be heard on 11 May 2021.

On 4 May 2021, the SFC, the Company, Mr. Zhou and Mr. Dai made a joint application by way of consent summons ("**Consent Summons**") in respect of the vacation of the hearing date fixed for the Petition. On 5 May 2021, the Court made an order in terms of the Consent Summons as amended, among other things, that the hearing date of the Petition scheduled to be held on 11 May 2021 be vacated and leave be granted to the parties to fix a case management conference on a date in consultation with counsel's diaries. Further details of the matters were disclosed in the announcements of the Company dated 18 November 2020 and 10 May 2021. The said case management conference was subsequently fixed on 24 August 2022. At the said case management conference held on 24 August 2022, it was ordered that, among other things, a second case management conference was fixed to be held on 2 December 2022.

As disclosed in notes 19 and 20 to the consolidated financial statements of the Company for the year ended 31 December 2021, the Acquisitions were related to the sale and purchase agreements which the Group entered into with purportedly independent third parties to acquire the two then associates, Saike International and WinHealth International, which were completed in 2015 and 2017 respectively and the costs of the Acquisitions amounted to RMB95,000,000 and RMB47,250,000 respectively. Immediately after completion of the acquisition of Saike International and WinHealth International in 2015 and 2017 respectively, the Group held 50% interest in Saike International and 15% interest in WinHealth International.

In respect of the Artificial Transactions alleged by the SFC in the Petition, the management performed assessment to identify any financial impact on the consolidated financial statements of the Group. Since all the balances related to the Artificial Transactions were settled before the end of 2018, the management concluded that there was no financial effect on the consolidated financial statements of the Group for the years ended 31 December 2021 and 2020.

As at 30 June 2022, the Group held 25% (31 December 2021: 25%) equity interest in Saike International, and the fair value of the Group's interest in Saike International was approximately HK\$51,451,000 (31 December 2021: approximately HK\$53,816,000) which has been classified as an equity instrument at fair value through other comprehensive income ("**FVTOCI**") after the partial disposal of the Group's 25% equity interest in Saike International on 10 February 2021 and loss of significant influence on 1 March 2021. The Group had no power to appoint any director to the board of directors of Saike International since 1 March 2021 (see notes 19(iv) and 20(b) to the consolidated financial statements of the Company for the year ended 31 December 2021 for details).

During the year ended 31 December 2021, the Group disposed of all of its interest in WinHealth International. After the disposal, the Group did not hold any interest in WinHealth International as at 30 June 2022 (31 December 2021: nil).

On 21 March 2022, 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 would, 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 trading of the shares of the Company subject to the four resumption conditions. For details in respect of the resumption, please refer to the announcement of the Company dated 21 March 2022. Trading in the shares of the Company has been permitted to recommence pursuant to section 9(3) of the SMLR with effect from 9:00 a.m. on 22 March 2022.

## 1. GENERAL INFORMATION *(Continued)*

Based on the latest available information on the progress of the investigation conducted by the IBC and up to the date when these condensed consolidated financial statements are authorised for issue, including announcements made by the Company, the IBC's investigation into the issues of the Acquisitions and the matters alleged in the Petition in relation to the Acquisitions, is still on-going, has not resulted in any conclusive finding nor conclusion.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the principal accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

### Application of new and amendments to HKFRSs

In the Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in the PRC. Information reported to the chief operating decision maker ("**CODM**"), being the Executive Directors, for the purposes of resources allocation and assessment of segment performance focused on the types of business activities.

During the Period, the Group's reportable and operating segments are as follows:

- (i) Distribution and trading of pharmaceutical products – distribution and trading of injection drugs; and
- (ii) Provision of marketing and promotion services – provision of marketing and promotion services of drugs.

Segment profit represents the gross profit attributable to each segment after deducting impairment loss on trade and other receivables attributable to each segment. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

#### 4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information about these reportable and operating segments is presented below.

##### Six months ended 30 June 2022 (unaudited)

	Distribution and trading of pharmaceutical products <i>HK\$'000</i>	Provision of marketing and promotion services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>			
External sales and segment revenue	56,603	2,690	59,293
<b>RESULT</b>			
Segment profit	(19)	2,486	2,467
Other income, gains and losses			(5,042)
Selling and distribution expenses			(6,949)
Administrative expenses			(11,707)
Finance costs			(147)
Loss before tax			(21,378)

##### Six months ended 30 June 2021 (unaudited)

	Distribution and trading of pharmaceutical products <i>HK\$'000</i>	Provision of marketing and promotion services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>			
External sales and segment revenue	211,682	2,809	214,491
<b>RESULT</b>			
Segment profit	15,690	2,596	18,286
Other income, gains and losses			(578)
Selling and distribution expenses			(7,437)
Administrative expenses			(10,196)
Finance costs			(52)
Share of profit of associates			1,110
Profit before tax			1,133

Information of assets and liabilities for reportable and operating segments is not provided to CODM for their review. Therefore, no analysis of the Group's assets and liabilities by reportable and operating segments is presented.

#### 4. REVENUE AND SEGMENT INFORMATION (Continued)

##### Geographical information

The Group's operations are located in the PRC (country of domicile). The geographical location of the Group's non-current asset is substantially situated in the PRC.

All of the Group's revenue from external customers is attributed to the Group entities' country of domicile (i.e. the PRC).

#### 5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Bank interest income	1,360	603
Dividend income from equity instruments at FVTOCI	302	–
Net exchange (loss) gain	(6,874)	1,774
Gain on disposal of property, plant and equipment	83	–
Government subsidies (note)	58	29
Loss on partial disposal of interest in an associate	–	(1,420)
Loss on deemed disposal of interest in an associate	–	(1,566)
Others	29	2
	(5,042)	(578)

Note: During the Period, the Group was granted incentives of RMB28,000 (equivalent to approximately HK\$34,000) by local government in Hangzhou, the PRC for the purpose of enhancing the development of the Group. The government subsidy of HK\$24,000 was granted by the Government of Hong Kong in accordance with the 2022 Employment Support Scheme in response to the Covid-19 epidemic. The incentives were recognised in profit or loss immediately as all conditions attached to these incentives and subsidy had been fulfilled.

#### 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>Current tax:</b>		
PRC Enterprise Income Tax	–	–
Deferred Tax	–	–
Total tax expense for the period	–	–

Under the Laws of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% for both periods. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits in Hong Kong for both periods.

## 7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	1,293	1,163
Depreciation of right-of-use assets	760	758
Amortisation of intangible assets (included in cost of sales)	956	956
Amortisation of prepayment for a distribution right (included in cost of sales)	1,913	1,912
Equity-settled share-based payment expenses	10,393	–
Cost of inventories recognised as an expense	52,821	191,520

## 8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2021: nil).

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>(Loss) profit</b>		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	(21,378)	1,133
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	1,671,846,657	1,671,846,657

Note: The computation of diluted loss per share for the six months ended 30 June 2022 does not assume the conversion of the Company's outstanding share options as at 30 June 2022 since their assumed exercise would result in a decrease in loss per share. The basic and diluted earnings per share for the six months ended 30 June 2021 were the same as there were no potential dilutive shares.

## 10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

During the Period, the Group acquired property, plant and equipment of approximately HK\$8,839,000 (six months ended 30 June 2021: approximately HK\$18,000).

During the Period, the Group entered into one new lease agreement with a lease term of 2 years (six months ended 30 June 2021: nil). On lease commencement, the Group recognised right-of-use assets of approximately HK\$1,817,000 (six months ended 30 June 2021: approximately HK\$997,000) and lease liabilities of approximately HK\$1,817,000 (six months ended 30 June 2021: approximately HK\$997,000). During the Period, the Group entered into a sale and purchase agreement for the acquisition of a property in the PRC at a consideration of approximately HK\$4,157,000, of which, approximately HK\$986,000 and HK\$3,171,000 were apportioned to land portion, with a lease term of approximately 26 years, and building portion, respectively.

## 11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI comprise:

	<b>As at 30 June 2022 (Unaudited) HK\$'000</b>	As at 31 December 2021 (Audited) HK\$'000
Listed investments:		
– Equity securities listed in Hong Kong	<b>58,300</b>	54,098
Unlisted investments:		
– Equity securities	<b>71,331</b>	73,556
<b>Total</b>	<b>129,631</b>	127,654
Analysed for reporting purposes as:		
Non-current assets	<b>129,631</b>	127,654

Details of the fair value of equity instruments at FVTOCI are disclosed in note 16 to the condensed consolidated financial statements.

## 12. INVENTORIES

	<b>As at 30 June 2022 (Unaudited) HK\$'000</b>	As at 31 December 2021 (Audited) HK\$'000
Finished goods	<b>68,084</b>	125,307

### 13. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2022 (Unaudited) HK\$'000</b>	As at 31 December 2021 (Audited) HK\$'000
Trade receivables	<b>67,709</b>	88,544
Less: allowance for credit loss	<b>(33,925)</b>	(32,814)
Trade receivables (net of allowance for credit loss)	<b>33,784</b>	55,730
Other prepayments	<b>481</b>	568
Other deposits	<b>375</b>	393
Prepayments to suppliers	<b>71,680</b>	12,231
Deposits paid to suppliers (net of allowance for credit loss)	<b>116,972</b>	126,280
Value-added tax recoverable	<b>3,259</b>	8,654
Others	<b>573</b>	805
	<b>227,124</b>	204,661

The Group allows a credit period ranging from 0 to 365 days to its trade customers. The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the dates of goods delivery notes, which approximated the respective revenue recognition dates, at the end of the reporting periods:

	<b>As at 30 June 2022 (Unaudited) HK\$'000</b>	As at 31 December 2021 (Audited) HK\$'000
Trade receivables:		
0 – 30 days	<b>6,842</b>	16,892
31 – 60 days	<b>545</b>	13,322
61 – 90 days	<b>4,307</b>	8,390
91 – 180 days	<b>13,547</b>	9,837
181 – 365 days	<b>8,543</b>	7,289
	<b>33,784</b>	55,730

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by the customer. Credit limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Prepayments and deposits paid to suppliers represent the prepayments and deposits paid for purchase of pharmaceutical products. The Group is required to make prepayments and trade deposits to certain suppliers to secure regular supply of products. The amount of prepayments to suppliers varies with the terms of supplier contracts entered into with different suppliers, which is determined based on the amount of goods purchased from the suppliers. The amounts of trade deposits required vary on a case by case basis. The deposits paid will be refunded upon expiry of contracts.

Included in the Group's deposits paid to suppliers balance with aggregate carrying amount of approximately HK\$116,972,000 (31 December 2021: approximately HK\$126,280,000) and the Group has provided for impairment loss on the Group's deposits paid to suppliers balance of approximately HK\$11,258,000 (31 December 2021: approximately HK\$11,258,000) as at 30 June 2022.

#### 14. OTHER PAYABLES

	<b>As at 30 June 2022 (Unaudited) HK\$'000</b>	As at 31 December 2021 (Audited) HK\$'000
Deposits received from customers	924	966
Deposit received from disposal of an equity instrument at FVTOCI	11,693	–
Contract liabilities	165	421
Other tax payables	2	–
Accruals	3,364	6,042
	<b>16,148</b>	7,429

#### 15. SHARE CAPITAL

The movements of share capital of the Company are as follows:

##### Ordinary shares

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
<b>At 1 January 2021, 30 June 2021, 31 December 2021 and 30 June 2022</b>	<b>3,000,000</b>	<b>150,000</b>
<b>Issued and fully paid:</b>		
<b>At 1 January 2021, 30 June 2021, 31 December 2021 and 30 June 2022</b>	<b>1,671,847</b>	<b>83,592</b>

#### 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

##### a. Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- ii. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

### a. Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range (weighted average)	Relationship of unobservable inputs for fair value
	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000					
Equity instruments at FVTOCI listed in Hong Kong	58,300	54,098	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Club debenture	585	612	Level 2	Quoted bid prices in secondary market for identical asset	N/A	N/A	N/A
Equity Instrument at FVTOCI for unlisted investment	51,451	53,816	Level 3	Recent transaction price	Recent transaction prices	HK\$2,058,000 (equivalent to approximately RMB1,760,000) per share (31 December 2021); HK\$2,153,000 (equivalent to approximately RMB1,760,000) per share)	note a
Equity instrument at FVTOCI for unlisted investment	19,880	19,740	Level 3	Discounted cash flow method	Discount rate  Terminal growth Rate	14.06% (31 December 2021: 13.43%)  2.69% (31 December 2021: 2.71%)	note b  note b

## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

### a. Fair value of financial assets that are measured at fair value on a recurring basis *(Continued)*

Notes:

- a. Except for the effect from the exchange difference, the same recent transaction price used would result in no change in the fair value measurement of the equity instrument at FVTOCI for unlisted investment.
- b. An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI for unlisted investment and vice versa. A 10% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the equity instrument at FVTOCI for unlisted investment by HK\$1,540,000/HK\$2,100,000 (31 December 2021: HK\$1,846,000/HK\$2,373,000).

A decrease in the terminal growth rate used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI for unlisted investment and vice versa. A 10% increase/decrease in the terminal growth rate holding all other variables constant would increase/decrease the carrying amount of the equity instrument at FVTOCI for unlisted investment by HK\$280,000/HK\$140,000 (31 December 2021: HK\$275,000/HK\$261,000).

The quantitative information of significant unobservable inputs used in arriving at the Level 3 fair value measurement is set out above.

During the Period, there was no transfer between Level 1 and Level 2 and no transfer into or out of Level 3 fair value measurement.

### b. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the condensed consolidated financial statements are approximate at their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an established pharmaceutical distributor originated from Zhejiang province headquartered in Hangzhou, Zhejiang province in the PRC. The Group is principally engaged in the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in the PRC. The Group procures pharmaceutical products throughout the PRC and sells pharmaceutical products and provides marketing and promotion services through a network of customers spreading over different regions in the PRC, including Beijing, Zhejiang province, Shanxi province, Hubei province, Hebei province, Hunan province and Guangdong province.

### Overview

For the Period, the total revenue of the Group was approximately HK\$59,293,000, representing a decrease of approximately 72.4% as compared to that for the corresponding period in 2021. The decrease in revenue was mainly attributable to the decrease in the sales of the Group's major product under the second generation of Cephalosporins (二代頭孢產品) ("**Product**") (1.0g).

In the first half of 2022, the trading activities and business operations of the Group have slowed down due to the resurgence of coronavirus disease (Covid-19) cases in mainland China and the adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China. As a result, the demand for the Product (1.0g) has declined during the Period.

The Group recorded a net loss for the Period primarily due to (i) the decrease in the gross profit owing to the decrease in the revenue of the Group's Product (1.0g) as a result of (a) the resurgence of coronavirus disease (Covid-19) cases in mainland China during the Period causing the slowdown in trading activities and business operations of the Group and (b) the adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China; (ii) the decrease in gross profit margin owing to the decrease in sales volume of the Product (1.0g) along with the fixed amortisation costs, classified as cost of sales, remain unchanged for the Period; (iii) the recognition of equity-settled share-based payment expenses of approximately HK\$10.4 million for the grant of share options by the Group to the Directors and employees in June 2022; and (iv) the recognition of the net exchange losses of approximately HK\$6.9 million for the Period as compared to the net exchange gain of approximately HK\$1.8 million for the corresponding period in 2021.

### Business review

During the Period, the revenue of the Group was contributed by (i) the distribution and trading of pharmaceutical products; and (ii) the provision of marketing and promotion services, in the PRC. The major category of the pharmaceutical products distributed by the Group is injection drugs.

## Revenue and segment information

The table below sets out the revenue of the Group (by business segment) for the six months ended 30 June 2022 and 2021 respectively.

		Revenue contributed by each business segment for the six months ended 30 June			
		2022 (Unaudited)		2021 (Unaudited)	
		HK\$'000	%	HK\$'000	%
(1)	Distribution and trading of pharmaceutical products	56,603	95.5	211,682	98.7
(2)	Provision of marketing and promotion services	2,690	4.5	2,809	1.3
Total		59,293	100.0	214,491	100.0

### (1) Distribution and trading of pharmaceutical products

This segment generated a revenue of approximately HK\$56,603,000 for the Period (six months ended 30 June 2021: approximately HK\$211,682,000), representing a decrease of approximately 73.3% as compared to that for the corresponding period in 2021. The decrease in revenue was primarily attributable to the slowdown in trading activities and business operations of the Group due to the resurgence of coronavirus disease (Covid-19) cases in mainland China during the Period and the adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China. As a result, the demand for the Product has declined during the Period.

### (2) Provision of marketing and promotion services

This segment generated a revenue of approximately HK\$2,690,000 for the Period (six months ended 30 June 2021: approximately HK\$2,809,000), representing a slight decrease of approximately 4.2% as compared to that for the corresponding period in 2021. Under the implementation of the "Two-Invoice" System (兩票制) in the PRC since 2017, the Group started to develop its business of the provision of marketing and promotion services in respect of pharmaceutical products in the PRC. The Group's marketing and promotion model involves formulating marketing and promotion strategies and conducting academic promotion programs of the Group's products in return for service income from the suppliers. The revenue of the Group generated from this segment was relatively stable for the Period as compared to that for the corresponding period in 2021.

## **Outlook**

The PRC pharmaceutical industry is facing many challenges as a result of the release of a series of policies by the Chinese government to reform its healthcare system, such as the volume-based procurement (帶量採購) officially initiated in 11 cities in the PRC in 2018 and the expansion of the volume-based procurement nationwide since 2019. The first, second and third batches of the national volume-based procurement were successfully implemented during the years 2019 to 2020. The fourth, fifth and sixth batches were completed in February 2021, June 2021 and November 2021 respectively. The fourth batch of the volume-based procurement involved 45 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 52% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 96% as compared to its original bidding price. The fifth batch of the volume-based procurement involved 62 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 56% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 98% as compared to its original bidding price. The sixth batch of the volume-based procurement involved 42 varieties of insulin products, and the average price of the shortlisted varieties was reduced by approximately 49% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 74% as compared to its original bidding price. The seventh batch of the volume-based procurement ("**7<sup>th</sup> Batch**") was completed in July 2022. The 7<sup>th</sup> Batch involved 60 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 48% as compared to the average original bidding prices.

It is expected that the national volume-based procurement will continue in the future and the scope of drugs under such procurement scheme will become wider and the downward pressure of the price of drugs is anticipated. The abovementioned policies may put the pharmaceutical distribution and trading enterprises in the PRC including the Group into a challenging position and may affect the profitability of these companies in the future.

### ***Continue to diversify the existing product portfolio***

The Group will seek to acquire distribution rights of new products to enhance its product portfolio. Looking ahead to the second half of 2022, the Group will continue to enhance its product portfolio, distribution channels and marketing and promotion strategy in order to achieve a better and sustainable long-term development of the Group.

### ***Continue to enhance and expand the sales and marketing capabilities***

In order to strengthen the competitive advantages over the Group's competitors in the PRC, the Group will continue to enhance its local distribution network and sales and marketing capabilities in the future. In addition, the Group has been exploring different opportunities to enhance its distribution capabilities.

### ***To focus on our core businesses***

As a long-term business strategy, the Group intends to focus on its businesses of the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in respect of pharmaceutical products in the PRC through reallocating its resources to the future development of the core businesses. Besides, the Group will continue to seek potential merger and acquisition opportunities to bring higher return for its shareholders.

## **Financial review**

### **Revenue**

The total revenue for the Period was approximately HK\$59,293,000, representing a decrease of approximately 72.4% from approximately HK\$214,491,000 for the six months ended 30 June 2021. The decrease in revenue from the distribution and trading of pharmaceutical products was primarily attributable to the decrease in the sales of the Group's Product (1.0g). In the first half of 2022, the trading activities and business operations of the Group have slowed down due to the resurgence of coronavirus disease (Covid-19) cases in mainland China and the adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China. As a result, the demand for the Product (1.0g) has declined during the Period.

### **Cost of sales**

The cost of sales for the Period was approximately HK\$55,690,000, representing a decrease of approximately 71.4% from approximately HK\$194,388,000 for the six months ended 30 June 2021. The decrease in cost of sales was mainly due to the decrease in sales volume of the Product (1.0g) during the Period.

### **Gross profit and gross profit margin**

Gross profit decreased by approximately HK\$16,500,000, or approximately 82.1%, from approximately HK\$20,103,000 for the six months ended 30 June 2021 to approximately HK\$3,603,000 for the Period mainly because of the decrease in sales volume of the Product (1.0 g) along with the fixed amortisation costs, classified as cost of sales, remain unchanged for the first half of 2022. The Group's gross profit margin for the Period was approximately 6.1%, which has decreased by 3.3 percentage points when compared to the corresponding period in 2021.

### **Other income, gains and losses**

The net other losses for the Period were approximately HK\$5,042,000 (six months ended 30 June 2021: approximately HK\$578,000). The increase in net other losses was primarily attributable to the net exchange losses of approximately HK\$6,874,000 recorded for the Period (six months ended 30 June 2021: net exchange gains of approximately HK\$1,774,000).

### **Selling and distribution expenses**

Selling and distribution expenses for the Period were approximately HK\$6,949,000, representing a decrease of approximately 6.6% from approximately HK\$7,437,000 for the six months ended 30 June 2021. The decrease in selling and distribution expenses was primarily attributable to the decrease in the marketing service fee and delivery expenses in line with the decrease in sales volume of the Product (1.0g) and partially offset by the recognition of the equity-settled share-based payment expenses of approximately HK\$3.1 million for the grant of share options by the Group to the Directors and employees in June 2022 (six months ended 30 June 2021: nil).

### **Administrative expenses**

Administrative expenses for the Period were approximately HK\$11,707,000, representing an increase of approximately 14.8% from approximately HK\$10,196,000 for the six months ended 30 June 2021. Such increase was mainly due to the recognition of the equity-settled share-based payment expenses of approximately HK\$7.3 million for the grant of share options by the Group to the Directors and employees in June 2022 (six months ended 30 June 2021: nil) and partially offset by the decrease in the legal and professional fees during the Period.

### Share of profit of associates

The Group did not record any share of profit of associates for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$1,110,000). Share of profit of associates of approximately HK\$1,110,000 for the six months ended 30 June 2021 was contributed by Saike International. Saike International ceased to be an associate of the Group on 1 March 2021 and the Group no longer shared the profit of Saike International since then. On 1 March 2021, Major Bright Holdings Limited ("**Major Bright**"), a wholly-owned subsidiary of the Company, entered into a shareholders' agreement with the other shareholders of Saike International, namely, Ms. Zhao Lei and Wing Yin Holdings Limited ("**Wing Yin**"). The Group lost significant influence over Saike International as the Group has no power to appoint any director to the board of directors of Saike International under the shareholders' agreement. Since then and as at 30 June 2022, Saike International ceased to be an associate of the Group and the Group's interest in Saike International was classified as an equity instrument at FVTOCI.

### Income tax expense

Income tax expense for the Period was zero (six months ended 30 June 2021: nil). The Group had no taxable profit for tax provision.

### Loss for the Period

Loss for the Period was approximately HK\$21,378,000, as compared to a profit of approximately HK\$1,133,000 for the corresponding period in 2021.

The Group recorded a net loss for the Period primarily due to (i) the decrease in the gross profit owing to the decrease in the revenue of the Group's Product (1.0g) as a result of (a) the slowdown in trading activities and business operations of the Group due to the resurgence of coronavirus disease (Covid-19) cases in mainland China for the Period and (b) the adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China; (ii) the decrease in gross profit margin owing to the decrease in sales volume of the Product (1.0 g) along with the fixed amortisation costs, classified as cost of sales, remain unchanged for the Period; (iii) the recognition of equity-settled share-based payment expenses of approximately HK\$10.4 million for the grant of share options by the Group to the Directors and employees in June 2022; and (iv) the recognition of the net exchange losses of approximately HK\$6.9 million for the Period as compared to the net exchange gain of approximately HK\$1.8 million for the six months ended 30 June 2021.

### Liquidity and financial resources

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group maintained a healthy liquidity position during the Period. During the Period, the operations of the Group were principally financed by internal resources.

As at 30 June 2022, the Group had net cash and cash equivalents amounting to approximately HK\$151,891,000 (31 December 2021: approximately HK\$150,153,000), among which approximately 13.4% (31 December 2021: approximately 16.8%) were denominated in Hong Kong dollars, approximately 60.8% (31 December 2021: approximately 57.3%) were denominated in Renminbi and approximately 25.8% (31 December 2021: approximately 25.9%) were denominated in the United States dollars. The Group did not have any bank loan as at 30 June 2022 (31 December 2021: approximately HK\$11.4 million). The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2022 (31 December 2021: approximately 1.8%).

## Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

## Material investments, acquisitions and disposals

### **Disposal of 25% of the issued share capital of Saike International**

On 29 March 2022, Major Bright, a wholly-owned subsidiary of the Company, as vendor, Wing Yin as purchaser and 青島松山醫藥銷售有限公司 (in English, for identification purpose only, Qingdao Songshan Medicine Sales Co., Ltd.) ("**Qingdao Songshan**") as guarantor entered into a sale and purchase agreement for the disposal of 25 ordinary shares of Saike International, representing 25% of the issued share capital of Saike International, at the consideration of RMB44.0 million (equivalent to approximately HK\$54.1 million). As at the date of the disposal agreement, Major Bright held 25% of the issued share capital of Saike International. The disposal was approved by the shareholders of the Company at a special general meeting held on 13 July 2022. All the conditions precedent set out in the disposal agreement were fulfilled and completion of the disposal took place on 15 August 2022. Immediately after completion of the disposal, the Group ceased to hold any equity interest in Saike International and its subsidiaries. Please refer to the announcements of the Company dated 29 March 2022 and 13 July 2022 and the circular of the Company dated 17 June 2022 for further details of the disposal.

### **Signing of the Cooperation Agreement and the establishment of the Target Company**

On 11 July 2022, China New Rich Medicine Holding Co. Limited ("**China New Rich**"), a wholly-owned subsidiary of the Company, 浙江萬馬產業發展集團有限公司 (in English, for identification purpose only, Zhejiang Wanma Industrial Development Group Co., Ltd.) ("**Partner A**") and Mr. Yang Ying ("**Partner B**") entered into a cooperation agreement ("**Cooperation Agreement**") in respect of, among others, the capital contribution and operation and management of the affairs of a target company, to be established in the PRC with limited liability ("**Target Company**").

Pursuant to the Cooperation Agreement, the initial registered capital of the Target Company is RMB50 million (equivalent to approximately HK\$58.8 million), and 40%, 39% and 21% of the initial capital contribution shall be made by Partner A, China New Rich and Partner B respectively. China New Rich will contribute an initial capital contribution of RMB19.5 million (equivalent to approximately HK\$22.9 million) and Partner A and Partner B will contribute an initial capital contribution of RMB20 million (equivalent to approximately HK\$23.5 million) and RMB10.5 million (equivalent to approximately HK\$12.4 million) respectively.

In addition to the capital contribution of the initial registered capital of the Target Company, Partner A, China New Rich and Partner B will grant shareholder's loans to the Target Company as initial working capital of approximately RMB4.8 million (equivalent to approximately HK\$5.6 million), approximately RMB4.68 million (equivalent to approximately HK\$5.5 million) and approximately RMB2.52 million (equivalent to approximately HK\$3.0 million) respectively.

The purpose of the Target Company is to engage in a project which involves the investment and construction of a healthcare industrial park in Shengzhou, Zhejiang Province, the PRC ("**Project**"). The Project includes the acquisition of the land use right of a project land by public tender and the construction, development and operation of the related facilities and buildings thereon. After the signing of the Cooperation Agreement, Partner A shall take the lead and China New Rich and Partner B shall cooperate in the application to the Administration for Market Regulation of Zhejiang Province for the establishment of the Target Company. The Group considered that the establishment of the Target Company undertaking the Project presents a good opportunity for the Group to utilise its available funds for a return and to expand investment portfolio with quality assets and to broaden the Group's strategic cooperation opportunities with other stakeholders in the PRC healthcare industry.

In accordance with the terms and conditions of the Cooperation Agreement, the Group will only participate as a passive investor in the Target Company and will not be involved in any management and operational functions of the Target Company and will not have board representation in the Target Company. Upon the establishment of the Target Company, the Group's investment in the Target Company shall be recognised as a financial asset at fair value through profit or loss of the Company and its financial results will not be consolidated with those of the Company.

Please refer to the announcements of the Company dated 11 July 2022 and 26 July 2022 for the further details of the Cooperation Agreement.

Except for the above, the Group did not make any material investments, acquisitions or disposals for the Period and up to the date of this report.

### **Capital structure**

There has been no change in the capital structure of the Company during the Period. The capital of the Company comprises one class of ordinary shares.

### **Pledge of assets**

As at 30 June 2022, the Group pledged the buildings and right-of-use assets with an aggregate carrying amount of approximately HK\$8,979,000 to secure general banking facilities granted to the Group (31 December 2021: approximately HK\$24,200,000 to secure general banking facilities and a short term bank borrowing granted to the Group).

### **Equity instruments at FVTOCI**

The Group's equity instruments at FVTOCI include (i) equity instruments at FVTOCI listed in Hong Kong which have been determined based on the quoted market prices available on the Stock Exchange and (ii) equity instruments at FVTOCI for unlisted investments which are incorporated in the Cayman Islands and the British Virgin Islands ("**BVI**") with limited liability and stated at fair value based on valuations prepared by independent valuers and recent transaction price respectively.

#### **(i) Equity instruments at FVTOCI listed in Hong Kong**

As at 30 June 2022, the Group's securities investment in the shares of Town Health International Medical Group Limited ("**Town Health**") ("**TH Shares**") (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 3886) had a fair value of approximately HK\$54.1 million and an investment amount of approximately HK\$142.0 million. As at 30 June 2022, the fair value of the Group's investment in Town Health accounted for approximately 8.5% of the Group's total assets. The Group recognised a fair value gain on its investment in the TH Shares of approximately HK\$2.4 million for the Period. No dividend income was received from Town Health for the Period.

As at 30 June 2022 and the date of this report, the Group held 117,602,000 TH Shares, representing approximately 1.56% of the total issued share capital of Town Health. Town Health and its subsidiaries are principally engaged in the provision of medical and dental services in Hong Kong, managing healthcare networks and the provision of third party medical network administrator services in Hong Kong, the provision of medical and dental services as well as hospital management and related services in the PRC and others including leasing of properties. According to the annual report of Town Health for the year ended 31 December 2021, after a long period of economic shutdown, Hong Kong and Mainland China ushered in the long-awaited recovery in 2021. However, with the outbreak of variant viruses in 2022, the latest wave of the pandemic and the tightening of anti-pandemic measures have put a new round of pressure on economic activities and also dampened economic sentiment, making the pace of recovery in 2022 likely to be slowed down. Although the development of the pandemic and various uncertainties in the external environment have created hidden worries for the economy to return to normal, Town Health will adjust its business strategies in a timely manner according to the current economic situation, striving to cultivate new opportunities in the midst of crisis and open a new situation in changes. It will seize market opportunities to consolidate the businesses in Hong Kong, develop the market in mainland China, and continue to provide the public with reliable and high quality medical and healthcare services. In 2022, as the pandemic prevention and control situation in Hong Kong and mainland China is severe, the medical staff of Town Health are determined to shoulder the responsibility of protecting the safety and health of citizens, and will continue to stick to the front line of fighting the pandemic. In Hong Kong, the pandemic has deteriorated rapidly since February 2022, with an unprecedented large-scale outbreak, and the number of local daily infections has repeatedly hit new highs. Facing the most severe battle since the outbreak of the pandemic, Town Health believes that increasing the vaccination rate is crucial to the prevention and control of the pandemic. It will continue to operate a number of community vaccination centres and vaccination stations in public hospitals, and provide citizens with convenient vaccination channels through its designated medical centres, outreach vaccination teams, and mobile vaccination stations, so as to provide a herd immunity barrier for the community. The pandemic is expected to last for a period of time. In this protracted battle against the pandemic, Town Health will continue to fulfill its responsibilities and go all out to work with the public to overcome the pandemic.

As at 30 June 2022, the Group's securities investment listed in Hong Kong (other than the TH Shares) had a fair value of approximately HK\$4.2 million.

During the Period, the Group acquired certain equity securities listed in Hong Kong amounting to approximately HK\$1.4 million. The Group did not dispose of any equity securities listed in Hong Kong during the Period. Due to an increase in the fair value of certain listed securities investments, a fair value gain (inclusive of the fair value gain on the TH Shares) of approximately HK\$2.8 million was recognised under the FVTOCI (non-recycling reserve) during the Period. The Group will continue to monitor its investments cautiously in view of recent uncertain market conditions.

**(ii) Equity instruments at FVTOCI for unlisted investments**

***Saike International***

As at 30 June 2022, the Group held 25 ordinary shares, representing 25% equity interest in Saike International, with the net investment costs of approximately RMB43.8 million. As at 30 June 2022, the fair value of the Group's investment in Saike International was approximately RMB44 million and accounted for approximately 8.1% of the Group's total assets. A fair value loss on the Group's investment in Saike International of approximately HK\$2.4 million has been recognised in other comprehensive income for the Period. No dividend income was received from Saike International for the Period.

Saike International and its subsidiaries are principally engaged in the trading of medical devices, medical equipment and medical consumables in the PRC. Based on the latest unaudited consolidated financial statements of Saike International for the 11 months ended 30 November 2021, it recorded an unaudited consolidated net profit of approximately RMB1.4 million. The Chinese government has launched a centralised volume-based procurement program for certain high-value medical commodities in 2020. With the implementation of the procurement program, the average selling price of certain medical products in the market has dropped for over 90% as compared to its original bidding price. In 2021, eight departments including the National Healthcare Security Administration jointly issued the Guiding Opinions on the Implementation of the Nationally Organised and Centralised Volume-based Procurement and Use of High-Value Medical Consumables (Yi Bao Fa [2021] No. 31) (關於開展國家組織高值醫用耗材集中帶量採購和使用的指導意見 (醫保發[2021]31號)). In accordance with the general idea of national organisation, alliance procurement and platform operation, all provinces across the country formed a procurement alliance, and appointed representatives to form a nationally organised high-value medical consumables joint procurement office, which organised the "nationally organised and centralised volume-based procurement joint prosthesis", and started to carry out volume-based procurement for the high-value medical consumables with large clinical usage, high purchase amount and mature clinical use. This new procurement program has exerted price pressure on some medical commodities and caused uncertainty on the profitability of the medical devices industry in the PRC.

On 29 March 2022, Major Bright, a wholly-owned subsidiary of the Company, as vendor, Wing Yin as purchaser and Qingdao Songshan as guarantor entered into a sale and purchase agreement for the disposal of 25 ordinary shares of Saike International, representing 25% of the issued share capital of Saike International, at the consideration of RMB44.0 million (equivalent to approximately HK\$54.1 million). As at the date of the disposal agreement, Major Bright held 25% of the issued share capital of Saike International. The disposal was approved by the shareholders of the Company at a special general meeting held on 13 July 2022. All the conditions precedent set out in the disposal agreement were fulfilled and completion of the disposal took place on 15 August 2022. Immediately after completion of the disposal, the Group ceased to hold any equity interest in Saike International and its subsidiaries. Please refer to the announcements of the Company dated 29 March 2022 and 13 July 2022 and the circular of the Company dated 17 June 2022 for further details of the disposal.

### *HCMPHS Healthcare Holdings Limited (“HCMPHS”)*

As at 30 June 2022, the Group held approximately 14% equity interest in HCMPHS (formerly known as C&C International Healthcare Group Limited) with a fair value of approximately HK\$19.9 million. As at 30 June 2022, the fair value of the Group’s investment in HCMPHS accounted for approximately 3.1% of the Group’s total assets. A fair value gain on the Group’s investment in HCMPHS of approximately HK\$0.1 million has been recognised in other comprehensive income for the Period. No dividend income was received from HCMPHS for the Period. HCMPHS and its subsidiaries are principally engaged in the provision of contracted medical schemes and medical services in Hong Kong.

### **Future plans for material investments**

Save as disclosed in this report, the Group currently does not have other future plan for material investments.

### **Employee information**

As at 30 June 2022, the Group had 26 employees (31 December 2021: 27). Staff costs, including Directors’ emolument for the Period, amounted to approximately HK\$14,303,000 (six months ended 30 June 2021: approximately HK\$3,858,000). The Group’s remuneration policy is based on positions, duties and performance of the employees. The employees’ remuneration varies according to their positions, which include salaries, overtime allowances, bonuses and/or various subsidies. The Group offers comprehensive and competitive remuneration and benefits packages to all its employees. In addition, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group’s operations.

The Group also provides other employee benefits including a provident fund scheme for its employees in Hong Kong as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485, the Laws of Hong Kong), and participates in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

### **Foreign currency risk**

The Group carries out its business in the PRC and most of the transactions are denominated in Renminbi. The Group has foreign currency bank balances in Hong Kong dollars and the United States dollars which expose the Group to foreign currency risk. To mitigate the foreign currency risk, the Group continually assesses and monitors the exposure of the exchange rate fluctuations. During the Period, the Directors did not consider it necessary to adopt a foreign currency hedging policy as the potential impact on the profit or loss of the Group due to the exchange rate fluctuations was immaterial.

## **Suspension and resumption of trading in shares of the Company**

Trading in the Company's shares was suspended with effect from 9:00 a.m. on 6 October 2017. The Company received a letter from the SFC dated 6 October 2017 in relation to a direction under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V, the laws of Hong Kong) ("**SMLR**"), pursuant to which the SFC directed the Stock Exchange to suspend trading in the securities of the Company as it appeared to the SFC that the announcements of the Company dated 14 February 2015, 20 March 2015, 26 June 2015 and 16 July 2015 in relation to the acquisition of 50% interest in Saike International and the announcements of the Company dated 5 December 2016 and 14 March 2017 in relation to the acquisition of the then 15% interest in WinHealth International may have contained materially false, incomplete or misleading information. In view of the suspension, on 12 January 2018, the Board established an independent board committee ("**IBC**") comprising two Independent Non-executive Directors, namely Ms. Li Sin Ming, Ivy and Mr. Leung Chi Kin with Ms. Li Sin Ming, Ivy being appointed as the Chairman of the IBC. The principal duties of the IBC include (i) to conduct an independent investigation into the issues relating to the above acquisitions and to obtain external legal or other independent professional advice, if required; and (ii) to deal with the issues and matters in relation to the suspension. Mr. Sy Lai Yin, Sunny, an Independent Non-executive Director appointed on 24 September 2018, was also appointed as a member of the IBC on the same day. As at the date of this report, the IBC's investigation into the affairs of the two acquisitions was still under progress. Grant Thornton Advisory Services Limited ("**Independent Investigator**") was appointed as an independent investigator to the IBC to assist in the investigation. The Independent Investigator was in the progress of preparing its draft independent investigation report. The Company also engaged BT Corporate Governance Limited ("**BTCTL**") in September 2020 to conduct an independent internal control review in respect of the adequacy and effectiveness of the Group's internal control systems in relation to the following areas, namely, investments in companies, conflict of interest, management of the Company, corporate governance, business transactions and risk assessment.

Pursuant to the delisting framework under the Listing Rules which has come into effect on 1 August 2018 ("**Effective Date**"), as the shares of the Company have been suspended from trading on the Stock Exchange for less than 12 months as at the Effective Date, under Rule 6.01A(2)(b)(i) of the Listing Rules, the Stock Exchange may cancel the Company's listing if trading in the shares of the Company has remained suspended for 18 continuous months from the Effective Date. The 18-month period expired on 31 January 2020. The Company was informed by the Stock Exchange that, (i) after consultation with the SFC, the Stock Exchange will, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020; (ii) for the avoidance of doubt, this is without prejudice to the Stock Exchange exercising its right under Rule 6.01A of the Listing Rules at a later stage when the Stock Exchange considers appropriate; (iii) the Stock Exchange also reserves all its rights under the Listing Rules; (iv) the Company is reminded of its obligation to procure a resumption of trading as soon as possible; and (v) if the Stock Exchange is not satisfied that the Company has taken and is taking all reasonable steps to procure a resumption of trading, the Stock Exchange is likely to proceed to delist the Company without further delay.

On 21 March 2022, 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 SMLR, permit resumption in the dealings of the Shares subject to the following conditions (“**Resumption Conditions**”):

- (1) the Company shall publish an announcement in respect of, among others, the Resumption Conditions and the results of internal control review report conducted by BTCGL (“**IC Report**”);
- (2) the Company undertakes to:
  - (a) implement all the recommendations for improvement made by BTCGL in the IC Report;
  - (b) procure BTCGL 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 BTCGL 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 first Resumption Condition was fulfilled by the Company’s publication of announcement dated 21 March 2022.

With reference to the second Resumption Condition, the Company (i) has enhanced the relevant internal control policies and procedures as recommended by BTCGL and will maintain proper records and reports together with the relevant supporting documents; (ii) will procure BTCGL to perform a follow-up review as at 31 December 2021 to assess whether BTCGL’s recommendations in the IC Report have been properly implemented by the Company; and (iii) procure BTCGL to submit a report on the follow-up review to the Company and the SFC Executive for concurrent review.

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.

BTCGL 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. For the details of the internal control deficiencies and the recommendations to the Company made by BTCGL, please refer to the announcement of the Company dated 21 March 2022.

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

For further details, please refer to the announcements of the Company dated 6 October 2017, 12 January 2018, 25 May 2018, 4 June 2018, 30 July 2018, 1 August 2018, 1 November 2018, 1 February 2019, 2 May 2019, 2 August 2019, 1 November 2019, 8 January 2020, 31 January 2020, 29 April 2020, 31 July 2020, 30 October 2020, 29 January 2021, 30 April 2021, 30 July 2021, 29 October 2021, 31 January 2022 and 21 March 2022. Further announcement shall be made by the Company in respect of the follow-up review report as required under the third Resumption Condition in due course.

### **Net proceeds from Rights Issue**

On 9 December 2016, the Company announced to raise approximately HK\$343.6 million before expenses on the basis of three rights shares ("**Rights Shares**") for every one existing share in issue held on the record date at the subscription price of HK\$0.275 per Rights Share by way of the rights issue of 1,249,344,000 ordinary shares ("**Rights Issue**"). The completion of the Rights Issue took place on 6 March 2017 and the net proceeds after deduction of expenses from the Rights Issue were approximately HK\$330.0 million. Details of the Rights Issue are disclosed in the announcements of the Company dated 9 December 2016, 26 January 2017, 27 January 2017 and 3 March 2017, the circular of the Company dated 10 January 2017 and the prospectus of the Company dated 10 February 2017.

The actual use of the net proceeds from the Rights Issue as at 30 June 2022 was as follows:

### **Intended use of proceeds**

### **Actual use of proceeds as at 30 June 2022**

Net proceeds from the Rights Issue of approximately HK\$330.0 million were intended to be used in the following manner:

- |  |   |
|--|---|
| (1) approximately HK\$143.2 million for the possible acquisition of interest in HCMPS and/or other potential acquisitions of medical and healthcare related business when opportunities arise ( <i>Notes a &amp; b</i> ) | approximately HK\$25.5 million has been utilised for the acquisition of 5% of the issued share capital of HCMPS at a consideration of HK\$25.5 million in cash  |
| (2) approximately HK\$28.8 million for the acquisition of 11% of the issued share capital of China Biotech Services Holdings Limited (" <b>China Biotech</b> ") ( <i>Note b</i> )  | approximately HK\$117.7 million has been utilised for the partial settlement of the consideration for the acquisition of approximately 1.55% of the then total issued share capital of Town Health, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3886) at a total consideration of HK\$144 million (excluding stamp duty and related expenses) in the open market in April 2017 |
| (3) approximately HK\$43.0 million for the acquisition of 12% of the issued share capital of WinHealth International   | approximately HK\$28.8 million has been utilised for the partial settlement of the consideration for the acquisition of approximately 11% of the issued share capital of China Biotech, the issued shares of which are listed on GEM of the Stock Exchange (Stock Code: 8037) at a total consideration of approximately HK\$33.4 million in cash  |
| (4) approximately HK\$17.0 million for the repayment of the Group's bank borrowings in the PRC   | approximately HK\$53.4 million (of which HK\$10.4 million was from the Relevant Proceeds (as defined below)) has been utilised for the acquisition of 15% of the issued share capital of WinHealth International at a consideration of RMB47.25 million (equivalent to approximately HK\$53.4 million) in cash  |
| (5) approximately HK\$40.0 million for expanding the product range of imported prescription drugs  | approximately HK\$17.0 million has been utilised for the repayment of the bank borrowing of a subsidiary of the Company in the PRC  |
|  | approximately HK\$40.0 million has been utilised for the payment of the distribution right of an imported prescription tablet drug in the PRC   |

## Intended use of proceeds

(6) approximately HK\$8.0 million for improving marketing, sales and promotional capabilities

(7) approximately HK\$50.0 million for the acquisition of the equity interests (in part or in full) of pharmaceutical companies which are principally engaged in overseas pharmaceutical business in the PRC apart from the acquisition of 12% of the issued share capital of WinHealth International ("**Relevant Proceeds**")  
(Note c)

## Actual use of proceeds as at 30 June 2022

approximately HK\$8.0 million has been utilised for improving marketing, sales and promotional capabilities

approximately HK\$10.4 million has been utilised for the partial settlement of the consideration for the acquisition of 15% of the issued share capital of WinHealth International as described above

During the Period, the Company did not use any net proceeds from the Rights Issue. As at 30 June 2022, the total unutilised proceeds were approximately HK\$39.6 million. The unutilised proceeds were from the Relevant Proceeds which shall be used for the acquisition of the equity interests (in part or in full) of pharmaceutical companies which are principally engaged in overseas pharmaceutical business in the PRC apart from the acquisition of 12% of the issued share capital of WinHealth International. Due to the instability of the economy and the impact of the Covid-19 pandemic, the Company took a cautious approach in scouting suitable business or investments opportunities in the past. As at the date of this report, the Company was still on the lookout of appropriate acquisition and investment opportunities or targets. The Company will continue to try its best endeavour to identify suitable investment. Based on the best estimation of the present and future business market conditions in the PRC and the business prospect of the Group, it is expected that the unutilised proceeds for the intended purpose will be fully used by December 2022. The remaining unutilised proceeds from the Rights Issue will be used as intended. Currently, the Company placed such unutilised proceeds as short term interest-bearing deposits.

*Note a:* It was disclosed in the prospectus of the Company in relation to the Rights Issue dated 10 February 2017 that, among others, the Company intended to apply HK\$83.5 million for the second tranche acquisition of approximately 17% of the issued share capital of HCMPS in accordance with the sale and purchase agreement dated 18 October 2016 and the supplemental agreement dated 30 November 2016 entered into by and among Major Bright, a subsidiary of the Company, the Company and JFA Capital. As at 13 March 2017, as it was unlikely for the Company to obtain the shareholders' approval on or before the long stop date of 31 March 2017 for the second tranche acquisition and the parties could not come to a consensus as to the extension of the long stop date, the parties agreed not to proceed with the second tranche acquisition and the Board decided to apply the said HK\$83.5 million to the possible acquisition of interest in HCMPS and/or other potential acquisitions of medical and healthcare related business when opportunities arose. Details of the change of use of proceeds are disclosed in the announcement of the Company dated 13 March 2017.

*Note b:* It was disclosed in the prospectus of the Company in relation to the Rights Issue dated 10 February 2017 that, among others, the Company intended to apply HK\$88.5 million for the acquisition of approximately 29% of the issued share capital of China Biotech in two tranches. On 16 March 2017, approximately HK\$28.8 million of the net proceeds were used for financing the first tranche acquisition of approximately 11% of the issued share capital of China Biotech and the related professional fees. As at 27 March 2017, as it was unlikely for the Company and the vendor to obtain their respective shareholders' approvals on or before the long stop date of 30 April 2017 for the second tranche acquisition and the parties could not come to a consensus as to the extension of the long stop date, the parties agreed not to proceed with the second tranche acquisition and the Board decided to apply the remaining proceeds of HK\$59.7 million to other potential acquisitions of medical and healthcare related business when opportunities arose. Details of the change of use of proceeds are disclosed in the announcement of the Company dated 27 March 2017.

*Note c:* For further details in relation to the application of the net proceeds of HK\$10.4 million to finance the acquisition of an additional 3% equity interest in WinHealth International by the Group and the reasons for the acquisition of such additional interest, please refer to the announcement of the Company dated 14 March 2017.

## OTHER INFORMATION

### Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures

As at 30 June 2022, the interests and short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers ("**Model Code**"), were as follows:

Name of Director	Capacity	Number of underlying shares (Note 2)	Position	Approximate percentage of the total issued shares (Note 1)
Ms. Wang Qiuqin	Beneficial owner	16,600,000	Long	0.99% (Note 2)
Mr. Chu Xueping	Beneficial owner	16,600,000	Long	0.99% (Note 2)

*Note 1:* The total number of 1,671,846,657 shares of the Company in issue as at 30 June 2022 has been used for the calculation of the approximate percentage.

*Note 2:* These interests are underlying shares of the Company in respect of share options granted by the Company pursuant to the Scheme (as defined below) adopted by the Company on 25 October 2013. Such underlying shares of the Company had an exercise period from 14 June 2022 to 13 June 2027 with an exercise price of HK\$0.287 per share.

### Substantial shareholders' interests and short positions in shares and underlying shares

As at 30 June 2022, the following persons (other than the Directors and Chief Executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

**(i) Substantial shareholders' interest in shares and underlying shares of the Company**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Position</b>	<b>Approximate percentage of the total issued shares</b> <i>(Note 1)</i>
Eagle Amber Holdings Limited <i>(Note 2)</i>	Beneficial owner	426,672,000	Long	25.52%
Zhang Jiang <i>(Note 2)</i>	Interest of a controlled corporation	426,672,000	Long	25.52%
Dai Xiaosong <i>(Note 2)</i>	Interest of a controlled corporation	426,672,000	Long	25.52%
Qian Shenglei	Beneficial owner	199,752,000	Long	11.95%

**(ii) Other persons' interest in shares and underlying shares of the Company**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Position</b>	<b>Approximate percentage of the total issued shares</b> <i>(Note 1)</i>
Zhou Ling <i>(Note 3)</i>	Beneficial owner and interest of spouse	161,400,000	Long	9.65%
Yang Fang <i>(Note 3)</i>	Beneficial owner and interest of spouse	161,400,000	Long	9.65%

*Note 1:* The total number of 1,671,846,657 shares of the Company in issue as at 30 June 2022 has been used for the calculation of the approximate percentage.

*Note 2:* Eagle Amber Holdings Limited is beneficially owned by Zhang Jiang and Dai Xiaosong as to 35.0% and 35.0% respectively. As such, Zhang Jiang and Dai Xiaosong were deemed to be interested in the 426,672,000 shares of the Company held by Eagle Amber Holdings Limited under Part XV of the SFO.

*Note 3:* Mr. Zhou Ling beneficially owns 132,188,952 shares of the Company. Ms. Yang Fang beneficially owns 29,211,048 shares of the Company. Mr. Zhou Ling is the spouse of Ms. Yang Fang. Accordingly, Mr. Zhou Ling was deemed to be interested in all the 29,211,048 shares of the Company held by Ms. Yang Fang by virtue of the SFO and Ms. Yang Fang was deemed to be interested in all the 132,188,952 shares of the Company held by Mr. Zhou Ling under Part XV of the SFO.

Save as disclosed above, as at 30 June 2022, the Company has not been notified by any persons (other than the Directors or Chief Executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## Share option scheme

The Company adopted a share option scheme (“**Scheme**”) on 25 October 2013 to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to eligible persons and for such other purposes as the Board may approve from time to time. The Scheme is implemented in compliance with the requirements of Chapter 17 of the Listing Rules. During the Period, the Company granted share options to two Directors and certain employees of the Group which entitled the holders thereof to subscribe for an aggregate of 143,200,000 ordinary shares of the Company at an exercise price of HK\$0.287 per share. Consideration received by the Group for the grant of the share options was HK\$1.00 paid by each grantee upon acceptance of the share options granted. The share options granted were not exercised or cancelled by the Company under the Scheme during the Period.

The options were granted on 14 June 2022. The estimated fair value of the options granted on that date is approximately HK\$10,393,000. The fair value of share options granted was priced using a binomial option pricing model which requires the management’s estimates and assumptions on significant calculation inputs, including the estimated life of share options granted, the volatility of share price and expected dividend yield. Changes in the subjective input assumptions could materially affect the fair value estimate. Details of the grant of share options by the Company are disclosed in the announcement of the Company dated 14 June 2022.

The following table sets out the movements of the number of the Company’s share options held by the eligible participants during the Period:

Category of participants	Outstanding at 31 December 2021	Granted during the Period	Exercised during the Period	Forfeited/Cancelled during the Period	Exercise period	Closing price per share immediately before the date of grant	Outstanding at 30 June 2022
<b>Directors</b>							
Ms. Wang Qiuqin	-	16,600,000	-	-	14 June 2022 to 13 June 2027	0.275	16,600,000
Mr. Chu Xueping	-	16,600,000	-	-	14 June 2022 to 13 June 2027	0.275	16,600,000
<b>Employees</b>							
	-	110,000,000	-	-	14 June 2022 to 13 June 2027	0.275	110,000,000
	-	143,200,000	-	-			143,200,000
Exercisable at the end of the Period							143,200,000
Weighted average exercise price (HK\$)	N/A	0.287	N/A	N/A			0.287

### **Directors' rights to acquire Company's shares or debentures**

Save as disclosed in the sections headed "Other information – Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" and "Share Option Scheme" of this report, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or Chief Executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### **Compliance with corporate governance code**

The Company adopted its own code of corporate governance based on the principles and the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules ("**CG Code**").

Ms. Wang Qiuqin is an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company. As Ms. Wang Qiuqin is performing both the roles of the Chairman and the Chief Executive Officer, this constitutes a deviation from Code Provision C.2.1 of the CG Code which requires that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Board believes that while vesting both the roles of the Chairman and the Chief Executive Officer in the same person gains the benefit of ensuring consistent leadership within the Group, the balance of power and authority for that arrangement are not impaired as all major decisions are made in consultation with the Board members and the senior management of the Company. Nevertheless, the Group will review the structure from time to time in light of the prevailing circumstances and may look for suitable candidate to take up the role of the Chairman and will make announcement as and when appropriate.

Save as disclosed above, the Company had complied with the CG Code to the extent applicable and permissible to the Company during the Period.

### **Model code for securities transactions by directors**

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

### **Purchase, sale or redemption of the Company's listed securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

## Litigation

On 17 November 2020, the Company was served a sealed copy of a petition dated 16 November 2020 filed in the High Court of the Hong Kong Special Administrative Region (the “**Court**”) by the SFC pursuant to section 214 of the SFO (“**Petition**”). The Petition named three respondents. Apart from the Company, the other two parties named as respondents under the Petition are two former Directors, namely, Mr. Zhou Ling (“**1st Respondent**”) and Mr. Dai Haidong (“**2nd Respondent**”). The 1st Respondent and the 2nd Respondent retired and resigned from their position as Executive Directors on 27 June 2018 and 5 November 2015 respectively.

Pursuant to the Petition, the SFC alleged that, during the period from 2015 to 2018, each of the 1st Respondent and the 2nd Respondent has been wholly or partly responsible for the business or affairs of the Company having been conducted in a manner (i) involving misfeasance or other misconduct towards it or its members or any part of its members; (ii) resulting in its members or any part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and/or (iii) unfairly prejudicial to its members or any part of its members. In particular, the SFC alleged that, *inter alia*,

- (1) the 1st Respondent and the 2nd Respondent had breached their duties as directors of the Company in relation to the Group’s acquisition of 50% interest in Saike International (details of such acquisition were disclosed in the announcements of the Company dated 14 February 2015, 20 March 2015, 26 June 2015 and 16 July 2015);
- (2) the 1st Respondent had made a secret profit in the sum of HK\$26 million out of the Group’s acquisition of 15% interest in Eternal Charm International Limited (currently known as WinHealth International Company Limited) (details of such acquisition were disclosed in the announcements of the Company dated 5 December 2016 and 14 March 2017); and
- (3) the 1st Respondent was responsible for misfeasance and/or misconduct which was unfairly prejudicial to the members or any part of the members of the Company, comprising various artificial transactions involving dealings in a number of pharmaceutical products.

In the Petition, the SFC applies for, *inter alia*, an order that the 1st Respondent do pay to the Company the sum of HK\$26 million with interest thereon at such rate and for such period as the Court thinks fit. No order or relief is sought against the Company in the Petition. The Petition was fixed to be heard on 11 May 2021.

On 4 May 2021, the SFC, the Company, the 1st Respondent and the 2nd Respondent made a joint application by way of consent summons ("**Consent Summons**") in respect of the vacation of the hearing date fixed for the Petition. On 5 May 2021, the Court made an order in terms of the Consent Summons as amended, among other things, that the hearing date of the Petition scheduled to be held on 11 May 2021 be vacated and leave be granted to the parties to fix a case management conference on a date in consultation with counsel's diaries. Details of the Petition are disclosed in the announcements of the Company dated 18 November 2020 and 10 May 2021. The said case management conference was subsequently fixed on 24 August 2022. At the said case management conference held on 24 August 2022, it was ordered that, among other things, a second case management conference was fixed to be held on 2 December 2022.

As at 30 June 2022 and the date of this report, save as disclosed above, so far as was known to the Directors, no member of the Group was involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

### **Audit committee**

The primary duties of the audit committee of the Board ("**Audit Committee**") are to review the Company's financial statements, accounts and interim and annual results and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Group's financial reporting, risk management and internal control procedures.

The Audit Committee comprises three Independent Non-executive Directors, namely, Ms. Li Sin Ming, Ivy, Mr. Leung Chi Kin and Mr. Sy Lai Yin, Sunny. Ms. Li Sin Ming, Ivy is the Chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period and this report.

On behalf of the Board

**New Ray Medicine International Holding Limited**

**Wang Qiuqin**

*Chairman & Executive Director*

Hong Kong, 25 August 2022