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New Ray Medicine
新銳醫藥

New Ray Medicine International Holding Limited

新銳醫藥國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 6108)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023:

- The Group recorded a revenue of approximately HK\$73,039,000 for the six months ended 30 June 2023, which has increased by approximately 23.2% when compared to the revenue of approximately HK\$59,293,000 for the corresponding period in 2022.
- Net loss attributable to owners of the Company for the six months ended 30 June 2023 was approximately HK\$13,357,000, which has decreased by approximately 37.5% when compared to the net loss attributable to owners of the Company of approximately HK\$21,378,000 for the corresponding period in 2022.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: nil).

As at 30 June 2023:

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2023 (31 December 2022: zero).

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 2023 (“**Period**”) together with the comparative unaudited figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000 As restated (Note 16)
Revenue	4	73,039	59,293
Cost of sales		(65,877)	(52,821)
		7,162	6,472
Other income, gains and losses	5	(4,946)	(5,042)
Selling and distribution expenses		(7,552)	(9,818)
Administrative expenses		(5,814)	(11,707)
Finance costs		(24)	(147)
Impairment loss on trade and other receivables		(2,183)	(1,136)
Loss before taxation		(13,357)	(21,378)
Income tax expense	6	–	–
Loss for the period attributable to owners of the Company	7	(13,357)	(21,378)
Other comprehensive expense for the period: <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		(5,023)	(14,079)
Fair value (loss) gain on equity instruments at fair value through other comprehensive income		(12,896)	541
Other comprehensive expense for the period		(17,919)	(13,538)
Total comprehensive expense for the period		(31,276)	(34,916)
Loss for the period attributable to owners of the Company		(13,357)	(21,378)
Total comprehensive expense for the period attributable to owners of the Company		(31,276)	(34,916)
Loss per share			
– Basic and diluted (<i>HK cents</i>)	9	(0.80)	(1.28)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	13,321	15,300
Right-of-use assets	10	17,804	19,075
Prepayment for a distribution right		4,876	6,835
Intangible assets		3,615	4,627
Club debenture		542	560
Equity instruments at fair value through other comprehensive income	11	51,264	64,115
Financial asset at fair value through profit or loss	11	36,185	25,470
		127,607	135,982
Current assets			
Inventories	12	10,664	35,230
Trade and other receivables	13	273,063	210,642
Prepayment for a distribution right		3,471	3,582
Bank balances and cash		112,447	154,413
		399,645	403,867
Current liabilities			
Trade and other payables	14	26,258	6,862
Lease liabilities	10	277	985
		26,535	7,847
Net current assets		373,110	396,020
Total assets less current liabilities		500,717	532,002
Non-current liabilities			
Lease liabilities	10	284	293
Deferred tax liabilities		6,052	6,052
		6,336	6,345
		494,381	525,657
Capital and reserves			
Share capital	15	83,592	83,592
Share premium and reserves		410,789	442,065
Equity attributable to owners of the Company		494,381	525,657

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 the Hong Kong Special Administrative Region (“**Hong Kong**”) of the People’s Republic of China.

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 (“**BT CGL**”) 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 with 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.

As stated in the Petition, the SFC alleged that, during the period from 2015 to 2018, each of Mr. Zhou and Mr. Dai had 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.

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. The Company received the notice of trial on 17 January 2023, informing the Company that the hearing date of the case had reserved from 30 July to 7 August 2024 and the pre-trial review was scheduled to be heard on 16 April 2024.

As disclosed in notes 19 and 20 to the consolidated financial statements of the Company for the year ended 31 December 2022, 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. The said sale and purchase agreements 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 2022 and 2021.

The investment had 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 Saike International 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(ii) and 20(a) to the consolidated financial statements of the Company for the year ended 31 December 2022 for details). During the year ended 31 December 2022, all the Group’s shares in Saike International were disposed of. After the disposal, the Group did not hold any interest in Saike International (31 December 2021: the Group held 25% equity interest in Saike International, and the fair value of the Group’s interest in Saike International was approximately HK\$53,816,000).

During the year ended 31 December 2021, all the Group’s shares in WinHealth International were disposed of. After the disposal, the Group did not hold any interest in WinHealth International, which had been classified as an equity instrument at FVTOCI after the loss of significant influence through dilution of voting rights as a result of the allotment and issue of new shares of WinHealth International to third parties during the year ended 31 December 2018.

On 21 March 2022, the Company was informed that the SFC had considered the information submitted by the Company, and the SFC had, by notice to the Stock Exchange, pursuant to section 9(3) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) (“SMLR”), permitted 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 Company’s announcement dated 21 March 2022. Trading in the shares of the Company had been permitted to recommence pursuant to section 9(3) of the SMLR with effect from 9:00 a.m. on 22 March 2022.

Based on the latest available information on the progress of the investigation conducted by the IBC and up to the date when these 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 and, 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 2022.

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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the Period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of these condensed consolidated financial statements:

Amendment to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 was reported to the chief operating decision maker (“CODM”), being the Executive Directors, for the purposes of resources allocation and assessment of segment performance of 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; and
- (ii) 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 information reported to the CODM for the purposes of resources allocation and assessment of segment performance.

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

Six months ended 30 June 2023 (unaudited)

	Distribution and trading of pharmaceutical products <i>HK\$'000</i>	Provision of marketing and promotion services of drugs <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE			
External sales and segment revenue	<u>70,026</u>	<u>3,013</u>	<u>73,039</u>
RESULT			
Segment profit	<u>2,195</u>	<u>2,784</u>	4,979
Other income, gains and losses			(4,946)
Selling and distribution expenses			(7,552)
Administrative expenses			(5,814)
Finance costs			<u>(24)</u>
Loss before taxation			<u>(13,357)</u>
Included in arriving at segment profit			
Impairment loss on trade and other receivables	<u>(2,183)</u>	<u>–</u>	<u>(2,183)</u>

Six months ended 30 June 2022 (unaudited)

	Distribution and trading of pharmaceutical products <i>HK\$'000</i> As restated	Provision of marketing and promotion services of drugs <i>HK\$'000</i>	Total <i>HK\$'000</i> As restated
REVENUE			
External sales and segment revenue	<u>56,603</u>	<u>2,690</u>	<u>59,293</u>
RESULT			
Segment profit	<u>2,850</u>	<u>2,486</u>	5,336
Other income, gains and losses			(5,042)
Selling and distribution expenses			(9,818)
Administrative expenses			(11,707)
Finance costs			<u>(147)</u>
Loss before tax			<u>(21,378)</u>
Included in arriving at segment profit			
Impairment loss on trade and other receivables	<u>(1,136)</u>	<u>–</u>	<u>(1,136)</u>

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.

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	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	1,473	1,360
Dividend income from equity instruments at FVTOCI	575	302
Net exchange loss	(6,995)	(6,874)
Gain on disposal of property, plant and equipment	1	83
Government subsidies (<i>note</i>)	–	58
Others	–	29
	<u>(4,946)</u>	<u>(5,042)</u>

Note: During the corresponding period in 2022, 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	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax:		
PRC Enterprise Income Tax	–	–
Deferred Tax	–	–
	<u>–</u>	<u>–</u>
Total tax expense for the period	<u>–</u>	<u>–</u>

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 FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	1,486	1,293
Depreciation of right-of-use assets	718	760
Amortisation of intangible assets	881	956
Amortisation of prepayment for a distribution right	1,763	1,913
Equity-settled share-based payment expenses	–	10,393
Cost of inventories recognised as an expense	65,877	52,821

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2022: nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(13,357)	(21,378)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss 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 2023 does not assume the conversion of the Company's outstanding share options as at 30 June 2023 since their assumed exercise would result in a decrease in loss per share. The basic and diluted loss per share for the six months ended 30 June 2022 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\$43,000 (six months ended 30 June 2022: approximately HK\$8,839,000).

During the Period, the Group did not have any new lease agreement (six months ended 30 June 2022: one new lease agreement with a lease term of 2 years). The Group recognised no right-of-use asset (six months ended 30 June 2022: approximately HK\$1,817,000) and no lease liability (six months ended 30 June 2022: approximately HK\$1,817,000).

**11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/
FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS**

Equity instruments at FVTOCI comprise:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Listed investments:		
– Equity securities listed in Hong Kong	43,186	48,575
Unlisted investments:		
– Equity securities	8,078	15,540
	<u>51,264</u>	<u>64,115</u>
Total	<u>51,264</u>	<u>64,115</u>
Analysed for reporting purposes as:		
Non-current assets	<u>51,264</u>	<u>64,115</u>

Financial asset at FVTPL comprises:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Unlisted investment		
Total	<u>36,185</u>	<u>25,470</u>
Analysed for reporting purposes as:		
Non-current assets	<u>36,185</u>	<u>25,470</u>

12. INVENTORIES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Finished goods	<u>10,664</u>	<u>35,230</u>

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade receivables	119,822	70,688
Less: allowance for credit loss	<u>(38,839)</u>	<u>(36,689)</u>
Trade receivables (net of allowance for credit loss)	80,983	33,999
Other prepayments	408	650
Other deposits	375	375
Prepayments to suppliers	58,783	40,522
Deposits paid to suppliers (net of allowance for credit loss)	132,086	114,686
Value-added tax recoverable	–	4,038
Promissory note from disposal of equity instrument at FVTOCI	–	15,948
Others	<u>428</u>	<u>424</u>
	<u>273,063</u>	<u>210,642</u>

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:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade receivables:		
0 – 30 days	47,148	3,296
31 – 60 days	1,667	4,574
61 – 90 days	1,481	1,578
91 – 180 days	8,875	9,794
181 – 365 days	<u>21,812</u>	<u>14,757</u>
	<u>80,983</u>	<u>33,999</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by such 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.

The Group's deposits paid to suppliers balance with aggregate carrying amount of approximately HK\$132,086,000 (31 December 2022: approximately HK\$114,686,000) and the Group has provided for impairment loss on the Group's deposits paid to suppliers balance of approximately HK\$8,078,000 (31 December 2022: approximately HK\$8,078,000) as at 30 June 2023.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade payables	19,026	–
Deposits received from customers	857	884
Contract liabilities	49	999
Other tax payables	4	–
Value-added tax payable	4,069	–
Accruals	2,253	4,979
	<u>26,258</u>	<u>6,862</u>

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting periods:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
0 – 30 days	<u>19,026</u>	<u>–</u>

The credit period on purchase of goods ranges from 30 to 60 days. For certain suppliers, the Group is required to make prepayments and/or pay deposits to the suppliers based on the supplier agreements for purchase of goods. Details of the amounts of prepayments to suppliers and deposits paid to suppliers are set out in note 13 to the condensed consolidated financial statements.

15. SHARE CAPITAL

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

Ordinary shares

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 January 2022, 30 June 2022, 31 December 2022 and 30 June 2023	<u>3,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 1 January 2022, 30 June 2022, 31 December 2022 and 30 June 2023	<u>1,671,847</u>	<u>83,592</u>

16. COMPARATIVE FIGURES

Conforming to current period's presentation, fixed amortisation cost of approximately HK\$2,869,000 that was included in cost of sales as shown in the consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2022 has been reclassified under selling and distribution expenses for the same period. The revised presentation reflects more appropriately the nature of these items. These reclassifications have no effect on the reported financial position, results or cash flows of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an established pharmaceutical distributor originated from Zhejiang province and headquartered in Hangzhou, Zhejiang province in the People's Republic of China ("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 the 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\$73,039,000, representing an increase of approximately 23.2% as compared to that for the corresponding period in 2022. The increase in revenue was mainly attributable to the increase in the sales of the Group's pharmaceutical products.

In the first half of 2023, the trading activities and business operations of the Group have increased due to the resumption of normalcy in mainland China. As a result, the demand for the pharmaceutical products has increased during the Period.

The Group recorded a net loss of approximately HK\$13,357,000 for the Period (six months ended 30 June 2022: HK\$21,378,000), the reduction in net loss was primarily due to the absence of equity-settled share-based payment expenses for the six months ended 30 June 2023. Such expenses for the six months ended 30 June 2022 amounted to approximately HK\$10,393,000 which was recognised as a result of the grant of share options by the Group to the Directors and employees during the same period.

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 2023 and 2022 respectively.

	Revenue contributed by each business segment for the six months ended 30 June			
	2023 (Unaudited) HK\$'000		2022 (Unaudited) HK\$'000	
		%		%
(1) Distribution and trading of pharmaceutical products	70,026	95.9	56,603	95.5
(2) Provision of marketing and promotion services	3,013	4.1	2,690	4.5
Total	73,039	100.0	59,293	100.0

(1) *Distribution and trading of pharmaceutical products*

This segment generated a revenue of approximately HK\$70,026,000 for the Period (six months ended 30 June 2022: approximately HK\$56,603,000), representing an increase of approximately 23.7% as compared to that for the corresponding period in 2022. The increase in revenue was primarily attributable to the increase in trading activities and business operations of the Group due to the resumption of normalcy in mainland China during the Period. As a result, the demand for the pharmaceutical products has increased during the Period.

(2) *Provision of marketing and promotion services*

This segment generated a revenue of approximately HK\$3,013,000 for the Period (six months ended 30 June 2022: approximately HK\$2,690,000), representing an increase of approximately 12.0% as compared to that for the corresponding period in 2022. 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 2022.

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, sixth and seventh batches were completed in February 2021, June 2021, November 2021 and July 2022 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 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.

The eighth batch of the volume-based procurement (“**8th Batch**”) was completed in March 2023. The 8th Batch involved 39 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.

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 2023, 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\$73,039,000, representing an increase of approximately 23.2% from approximately HK\$59,293,000 for the six months ended 30 June 2022. The increase in revenue from the distribution and trading of pharmaceutical products was primarily attributable to the resumption of normalcy in mainland China. As a result, the demand for the pharmaceutical products has increased during the Period.

Cost of sales

The cost of sales for the Period was approximately HK\$65,877,000, representing an increase of approximately 24.7% from approximately HK\$52,821,000 (restated) for the six months ended 30 June 2022. The increase in cost of sales was mainly due to the increase in sales of the pharmaceutical products during the Period.

Gross profit and gross profit margin

Gross profit increased by approximately HK\$690,000, or approximately 10.7%, from approximately HK\$6,472,000 (restated) for the six months ended 30 June 2022 to approximately HK\$7,162,000 for the Period mainly because of the increase in sales of the pharmaceutical products. The Group's gross profit margin for the Period was approximately 9.8%, which has decreased by 1.1 percentage points when compared to the corresponding period in 2022.

Other income, gains and losses

The net other losses for the Period were approximately HK\$4,946,000 (six months ended 30 June 2022: approximately HK\$5,042,000). The decrease in net other losses was primarily attributable to the net exchange losses of approximately HK\$6,995,000 recorded for the Period (six months ended 30 June 2022: approximately HK\$6,874,000) which was partially offset by the recognition of dividend income from equity instruments at FVTOCI of approximately HK\$575,000 (six months ended 30 June 2022: HK\$302,000).

Selling and distribution expenses

Selling and distribution expenses for the Period were approximately HK\$7,552,000, representing a decrease of approximately 23.1% from approximately HK\$9,818,000 (restated) for the six months ended 30 June 2022. The decrease in selling and distribution expenses was primarily attributable to the absence of the equity-settled share-based payment expenses for the grant of share options by the Group to the Directors and employees in the Period (six months ended 30 June 2022: approximately HK\$3,092,000). Please also refer to the note 16 to the condensed consolidated financial statements above on the adjustment made to the figure for the six months ended 30 June 2022.

Administrative expenses

Administrative expenses for the Period were approximately HK\$5,814,000, representing a decrease of approximately 50.3% from approximately HK\$11,707,000 for the six months ended 30 June 2022. Such decrease was mainly due to the absence of the equity-settled share-based payment expenses for the grant of share options by the Group to the Directors and employees in the Period (six months ended 30 June 2022: approximately HK\$7,301,000).

Income tax expense

Income tax expense for the Period was zero (six months ended 30 June 2022: nil). The Group had no taxable profit for tax provision.

Loss for the Period

Loss for the Period was approximately HK\$13,357,000, as compared to a loss of approximately HK\$21,378,000 for the corresponding period in 2022.

The Group recorded a net loss of the Group of approximately HK\$13,357,000 for the Period (six months ended 30 June 2022: HK\$21,378,000), the reduction in net loss was primarily due to the absence of equity-settled share-based payment expenses for the six months ended 30 June 2023. Such expenses for the six months ended 30 June 2022 amounted to approximately HK\$10,393,000 which was recognised as a result of the grant of share options by the Group to the Directors and employees during the same period.

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 2023, the Group had net cash and cash equivalents amounting to approximately HK\$112,447,000 (31 December 2022: approximately HK\$154,413,000), among which approximately 39.9% (31 December 2022: approximately 32.0%) were denominated in Hong Kong dollars and approximately 60.1% (31 December 2022: approximately 60.8%) were denominated in Renminbi. The Group did not have any bank loan as at 30 June 2023 (31 December 2022: nil). The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2023 (31 December 2022: zero) as the Group did not have any bank loan and other borrowings as at the reporting date.

Contingent liabilities

As at 30 June 2023, the Group had no material contingent liability.

Significant investments and material acquisitions and disposals

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 嵊州新銳萬馬實業有限公司 (in English, for identification purpose only, Shengzhou Xinrui Wanma Industrial Co., Ltd.) (“**Target Company**”).

Pursuant to the Cooperation Agreement, the initial registered capital of the Target Company is RMB50.0 million (equivalent to approximately HK\$58.8 million), and 40%, 39% and 21% of the initial capital contribution would be made by Partner A, China New Rich and Partner B respectively. China New Rich would contribute an initial capital contribution of RMB19.5 million (equivalent to approximately HK\$22.9 million) and Partner A and Partner B would 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 had agreed to 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.

On 16 January 2023, Partner A, China New Rich and Partner B entered into a supplemental agreement to the Cooperation Agreement ("**Supplemental Cooperation Agreement**"), pursuant to which, the registered capital of the Target Company would be increased from RMB50.0 million to RMB56.3 million and the capital contribution to the initial registered capital of the Target Company by each of the Parties shall be adjusted accordingly. China New Rich would make capital contribution to the initial capital contribution of approximately RMB22.0 million (equivalent to approximately HK\$25.5 million) and Partner A and Partner B would make capital contribution to initial capital contribution of approximately RMB22.5 million (equivalent to approximately HK\$26.2 million) and approximately RMB11.8 million (equivalent to approximately HK\$13.8 million) respectively.

In addition, the Supplemental Corporation Agreement has also amended the amount of the shareholder's loan of each party. The revised aggregate shareholder's loan to be made by the parties to the Target Company would be RMB23.7 million whereby, Partner A, China New Rich and Partner B would grant shareholder's loans to the Target Company as initial working capital of approximately RMB9.5 million (equivalent to approximately HK\$11.0 million), approximately RMB9.2 million (equivalent to approximately HK\$10.8 million) and approximately RMB5.0 million (equivalent to approximately HK\$5.8 million) respectively.

The Group's share of the registered capital and the shareholder's loan had been funded by the internal resources of the Group.

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 and the Supplemental Cooperation Agreements, 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 and the Supplemental 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.

As at 30 June 2023, the Group held approximately 39% equity interest in Target Company with a fair value of approximately HK\$36,185,000. As at 30 June 2023, the fair value of the Group’s investment in Target Company accounted for approximately 6.9% of the Group’s total assets. No fair value gain or loss has recognised on the Group’s investment in Target Company in profit or loss for the Period. No dividend income was received from Target Company for the Period.

Please refer to the announcements of the Company dated 11 July 2022, 26 July 2022 and 16 January 2023 for further details of the Cooperation Agreement and the Supplemental Cooperation Agreement.

The directors of the Company are of the opinion that the Group does not have any significant influence over the Target Company and recognised the investment as financial asset at fair value through profit or loss, and the aforesaid investment is classified as non-current asset as the management expects to realise this financial asset after twelve months after the reporting period.

Save as disclosed above, the Group did not make any significant investments and material, acquisitions or disposals during the Period and up to the date of this announcement.

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 2023, the Group pledged the buildings and right-of-use assets with an aggregate carrying amount of approximately HK\$13,297,000 to secure general banking facilities granted to the Group (31 December 2022: approximately HK\$13,036,000).

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 with limited liability stated at fair value based on valuations prepared by independent valuers.

Equity instruments at FVTOCI listed in Hong Kong

As at 30 June 2023, 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\$38.2 million and an investment amount of approximately HK\$142.0 million. As at 30 June 2023, the fair value of the Group's investment in Town Health accounted for approximately 7.2% of the Group's total assets. The Group recognised a fair value loss on its investment in the TH Shares of approximately HK\$6.5 million for the Period. No dividend income was received from Town Health for the Period.

As at 30 June 2023 and the date of this announcement, the Group held 117,602,000 TH Shares, representing approximately 1.74% 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 announcement of interim results of Town Health for the six months ended 30 June 2023, in the second half of 2023, it is expected that local demand and inbound tourism will continue to be the main growth drivers for the economy of Hong Kong. With the re-opening of our border, the economic situation and prospects of Hong Kong will continue to improve. The government's new and more welcoming talent importation policy to increase the local workforce and the launch of its various public-private medical partnership programmes, should boost the long-term demand for healthcare services in Hong Kong. The distribution of consumption vouchers by the government and a series of "Happy Hong Kong" activities should also provide additional support for the local utilisation of optional healthcare services. In keeping with advanced economies, Hong Kong can provide more holistic care integrating Chinese and western medicine, which may have enhancing effects in the treatment of certain cancer treatment. Services provided by private medical institutions in Hong Kong are becoming increasingly popular among medical tourists who demand high-quality medical services, including consultation and treatment by renowned specialists, health screening and the use of various new treatment, vaccines and advanced medical equipment.

Meanwhile, it is Mainland China's policy to promote public health and high-quality healthcare service through collaboration with Hong Kong service providers. With the implementation of various policies to help Hong Kong integrate with other cities in the Greater Bay Area in health service provision. Private medical institutions in Hong Kong are encouraged to develop healthcare services in the Greater Bay Area. All these favourable factors will bring huge opportunities for Town Health to develop cross-border medical services and medical tourism. As an industry leader with a strong professional medical team and abundant high-quality medical resources, Town Health will adapt to changes in the economic situation and the development trend of the medical industry and adjust its business strategy in a timely manner for continuous business development. In the future, Town Health will further integrate existing medical resources and build a comprehensive cross-border medical and healthcare service ecosystem to satisfy customers' various demands from the perspectives of prevention, diagnosis, outpatient, hospitalization, rehabilitation, nursing, and drug delivery. Town Health is committed to building a world-class medical group rooted in Hong Kong and based in the Greater Bay Area which serves the whole country and connects with the world in its outlook, striving to continuously create greater value for customers and shareholders. During the Pandemic, Town Health cooperated and worked closely with the government in carrying out a series of anti-epidemic works, and thereby earned mutual trust with the government and the public. Town Health will support the government's primary healthcare development strategy, and in the future, it will proactively participate in the government's various public-private medical partnership programmes to provide citizens with high-quality primary healthcare including chronic disease management, dental health care, etc. Town Health has worked with other major medical peers to establish an association representing private medical practices, to advocate a win-win strategy for the public and our industry.

As at 30 June 2023, the Group's securities investment listed in Hong Kong (other than the TH Shares) had a fair value of approximately HK\$5.0 million.

During the Period, the Group did not acquire any equity securities listed in Hong Kong (six months ended 30 June 2022: approximately HK\$1.4 million). The Group did not dispose of any equity securities listed in Hong Kong during the Period. Due to a decrease in the fair value of certain listed securities investments, a fair value loss (inclusive of the fair value loss on the TH Shares) of approximately HK\$5.4 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.

Future plans for material investments

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

Employee information

As at 30 June 2023, the Group had 25 employees (31 December 2022: 25). Staff costs, including Directors' emolument for the Period, amounted to approximately HK\$3,843,000 (six months ended 30 June 2022: approximately HK\$14,303,000). 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.

Litigation

On 17 November 2020, the Company was served a sealed copy of a petition dated 16 November 2020 filed with the High Court of the Hong Kong Special Administrative Region (the "**Court**") by the SFC pursuant to section 214 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**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 positions as Executive Directors on 27 June 2018 and 5 November 2015 respectively.

As stated in the Petition, the SFC alleged that, during the period from 2015 to 2018, each of the 1st Respondent and the 2nd Respondent had 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. 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. The Company received the notice of trial on 17 January 2023, informing the Company that the hearing date of the case had reserved from 30 July to 7 August 2024 and the pre-trial review was scheduled to be heard on 16 April 2024.

As at 30 June 2023 and the date of this announcement, 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.

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.

Review of Interim Results

The audit committee of the Board has reviewed the unaudited condensed consolidated financial statements of the Group for the Period and this announcement.

On behalf of the Board

New Ray Medicine International Holding Limited

Wang Qiuqin

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 29 August 2023

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