



**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

**2024**  
**INTERIM REPORT**

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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

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

Mr. Huo Zhihong

Mr. Chu Xueping

Ms. Zhou Wan

#### 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. Ng Yat Sing, *HKICPA*

#### Auditor

Moore 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 2024:

- The Group recorded a revenue of approximately HK\$16,718,000 for the six months ended 30 June 2024, which has decreased by approximately 46.1% when compared to the revenue of approximately HK\$31,016,000 for the corresponding period in 2023.
- Net loss attributable to owners of the Company for the six months ended 30 June 2024 was approximately HK\$4,088,000, which has decreased by approximately 69.4% when compared to the net loss attributable to owners of the Company of approximately HK\$13,357,000 for the corresponding period in 2023.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: nil).

### As at 30 June 2024:

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2024 (31 December 2023: 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 2024 (“**Period**”) together with the comparative unaudited figures for the corresponding period in 2023 as follows:

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

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000 As restated
Revenue	4	<b>16,718</b>	31,016
Cost of sales		<b>(10,492)</b>	(23,854)
Other income, gains and losses	5	<b>6,226</b>	7,162
Selling and distribution expenses		<b>735</b>	(4,946)
Administrative expenses		<b>(4,876)</b>	(7,552)
Finance costs		<b>(5,867)</b>	(5,814)
Impairment loss on trade and other receivables		<b>(3)</b>	(24)
Fair value loss on financial assets at fair value through profit or loss (“ <b>FVTPL</b> ”)	7	<b>(31)</b>	(2,183)
		<b>(267)</b>	–
Loss before taxation		<b>(4,083)</b>	(13,357)
Income tax expense	6	<b>(5)</b>	–
Loss for the period attributable to owners of the Company	7	<b>(4,088)</b>	(13,357)
<b>Other comprehensive expense 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		<b>(6,734)</b>	(5,023)
Fair value loss on equity instruments at fair value through other comprehensive income (“ <b>FVTOCI</b> ”)		<b>(4,230)</b>	(12,896)
Other comprehensive expense for the period		<b>(10,964)</b>	(17,919)
<b>Total comprehensive expense for the period</b>		<b>(15,052)</b>	(31,276)
Loss for the period attributable to owners of the Company		<b>(4,088)</b>	(13,357)
Total comprehensive expense for the period attributable to owners of the Company		<b>(15,052)</b>	(31,276)
Loss per share			
– Basic and diluted ( <i>HK cents</i> )	9	<b>(0.24)</b>	(0.80)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	11,496	12,016
Right-of-use assets	10	17,585	17,403
Prepayment for a distribution right		1,413	2,856
Intangible assets		–	–
Club debenture		–	–
Equity instruments at fair value through other comprehensive income	11	50,958	43,067
Financial assets at fair value through profit or loss	11	40,156	36,608
Other prepayment	13	–	1,457
		<b>121,608</b>	113,407
<b>Current assets</b>			
Inventories	12	20,492	31,167
Trade and other receivables	13	262,815	240,219
Prepayment for a distribution right		2,831	2,856
Bank balances and cash		87,478	103,954
		<b>373,616</b>	378,196
<b>Current liabilities</b>			
Trade and other payables	14	20,386	5,267
Lease liabilities	10	408	288
		<b>20,794</b>	5,555
<b>Net current assets</b>		<b>352,822</b>	372,641
<b>Total assets less current liabilities</b>		<b>474,430</b>	486,048
<b>Non-current liabilities</b>			
Lease liabilities	10	–	–
Deferred tax liabilities		5,759	5,795
		<b>5,759</b>	5,795
		<b>468,671</b>	480,253
<b>Capital and reserves</b>			
Share capital	15	83,592	83,592
Share premium and reserves		385,079	396,661
Equity attributable to owners of the Company		<b>468,671</b>	480,253

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

### 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 2024	83,592	607,614	50,167	23,729	(185,086)	9,304	(18,716)	(86,881)	483,723
Loss for the Period	-	-	-	-	-	-	-	(4,088)	(4,088)
Other comprehensive expense for the Period	-	-	-	-	(4,230)	-	(6,734)	-	(10,964)
Total comprehensive expense for the Period	-	-	-	-	(4,230)	-	(6,734)	(4,088)	(15,052)
At 30 June 2024 (unaudited)	83,592	607,614	50,167	23,729	(189,316)	9,304	(25,450)	(90,969)	468,671
At 1 January 2023	83,592	607,614	50,167	23,729	(166,093)	10,393	(19,530)	(64,215)	525,657
Loss for the Period	-	-	-	-	-	-	-	(13,357)	(13,357)
Other comprehensive expense for the Period	-	-	-	-	(12,896)	-	(5,023)	-	(17,919)
Total comprehensive expense for the Period	-	-	-	-	(12,896)	-	(5,023)	(13,357)	(31,276)
At 30 June 2023 (unaudited)	83,592	607,614	50,167	23,729	(178,989)	10,393	(24,553)	(77,572)	494,381

#### Notes:

- (a) The contributed surplus represents the difference arising from share swap pursuant to the Group's reorganisation during the year ended 31 December 2013 (which amounted to HK\$70,167,000) and netted off against the dividend declared of an amount 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 fair value through other comprehensive income ("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 2024

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Net cash outflow from operating activities	(192)	(33,166)
Net cash outflow from investing activities	(14,820)	(8,709)
Net cash outflow from financing activities	(719)	(850)
Net decrease in cash and cash equivalents	(15,731)	(42,725)
Cash and cash equivalents at the beginning of the period	103,954	154,413
Effect of foreign exchange rate changes	(745)	759
Cash and cash equivalents at the end of the period		
Represented by bank balances and cash	87,478	112,447



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 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 the 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.

### 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 D2 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 2023.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

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 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

#### 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 2024 for the preparation of these condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 – distribution and trading of injection drugs; and
- (ii) Provision of marketing and promotion services – provision of marketing and promotion services of drugs and chemical reagents.

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.

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

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

##### Six months ended 30 June 2024 (unaudited)

	Distribution and trading of pharmaceutical products HK\$'000	Provision of marketing and promotion services HK\$'000	Total HK\$'000
<b>REVENUE</b>			
External sales and segment revenue	12,116	4,602	16,718
<b>RESULT</b>			
Segment profit	1,779	4,416	6,195
Other income, gains and losses			735
Selling and distribution expenses			(4,876)
Administrative expenses			(5,867)
Finance costs			(3)
Fair value loss on financial assets at FVTPL			(267)
Loss before taxation			(4,083)
Included in arriving at segment profit Impairment loss on trade and other receivables	(31)	-	(31)

##### Six months ended 30 June 2023 (unaudited)

	Distribution and trading of pharmaceutical products HK\$'000 As restated	Provision of marketing and promotion services HK\$'000 As restated	Total HK\$'000 As restated
<b>REVENUE</b>			
External sales and segment revenue	27,124	3,892	31,016
<b>RESULT</b>			
Segment profit	1,316	3,663	4,979
Other income, gains and losses			(4,946)
Selling and distribution expenses			(7,552)
Administrative expenses			(5,814)
Finance costs			(24)
Loss before taxation			(13,357)
Included in arriving at segment profit Impairment loss on trade and other receivables	(2,183)	-	(2,183)

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

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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Bank interest income	1,315	1,473
Dividend income from equity instruments at FVTOCI	420	575
Net exchange loss	(1,184)	(6,995)
Gain on disposal of property, plant and equipment	143	1
Others	41	–
	735	(4,946)

#### 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>Current tax:</b>		
PRC Enterprise Income Tax	–	–
Deferred Tax	5	–
Total tax expense for the period	5	–

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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	1,129	1,486
Depreciation of right-of-use assets	700	718
Amortisation of intangible assets	–	881
Amortisation of prepayment for a distribution right	1,423	1,763
Fair value loss on financial assets at FVTPL	267	–
Cost of inventories recognised as an expense	10,306	23,625

## 8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2023: 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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(4,088)	(13,357)
<b>Number of shares</b>		
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 2024 does not assume the conversion of the Company's outstanding share options as at 30 June 2024 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 2023 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\$567,000 (six months ended 30 June 2023: approximately HK\$43,000).

During the Period, the Group entered into one new lease agreement with a lease term of 2 years (six months ended 30 June 2023: did not have any new lease agreement). On lease commencement, the Group recognised right-of-use asset of approximately HK\$834,000 (six months ended 30 June 2023: nil) and lease liability of approximately of HK\$834,000 (six months ended 30 June 2023: nil).

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

Equity instruments at FVTOCI comprise:

	<b>As at 30 June 2024 (Unaudited) HK\$'000</b>	As at 31 December 2023 (Audited) HK\$'000
Listed investments:		
– Equity securities listed in Hong Kong	<b>50,958</b>	43,067
Unlisted investments:		
– Equity securities	–	–
<b>Total</b>	<b>50,958</b>	43,067
Analysed for reporting purposes as:		
Non-current assets	<b>50,958</b>	43,067

Financial assets at FVTPL comprises:

	<b>As at 30 June 2024 (Unaudited) HK\$'000</b>	As at 31 December 2023 (Audited) HK\$'000
Unlisted investments		
<b>Total</b>	<b>40,156</b>	36,608
Analysed for reporting purposes as:		
Non-current assets	<b>40,156</b>	36,608

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

## 12. INVENTORIES

	<b>As at 30 June 2024 (Unaudited) HK\$'000</b>	As at 31 December 2023 (Audited) HK\$'000
Finished goods	<b>20,492</b>	31,167

### 13. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2024 (Unaudited) HK\$'000</b>	As at 31 December 2023 (Audited) HK\$'000
Trade receivables		
– Receivables from trading customers	<b>70,246</b>	70,585
– Receivables related to service income	<b>46,381</b>	23,814
Less: allowance for credit loss	<b>(39,378)</b>	(39,347)
Trade receivables (net of allowance for credit loss)	<b>77,249</b>	55,052
Other prepayments	<b>5,118</b>	3,087
Other deposits	<b>139</b>	144
Prepayments to suppliers	<b>43,170</b>	43,477
Deposits paid to suppliers (net of allowance for credit loss)	<b>132,774</b>	133,783
Value-added tax recoverable	<b>4,002</b>	5,831
Others	<b>363</b>	302
	<b>262,815</b>	241,676
Current portion	<b>262,815</b>	240,219
Non-current portion	–	1,457
	<b>262,815</b>	241,676

The Group allows a credit period ranging from 0 to 365 days to its 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 2024 (Unaudited) HK\$'000</b>	As at 31 December 2023 (Audited) HK\$'000
Trade receivables:		
0–30 days	<b>22,774</b>	26,740
31–60 days	<b>25,758</b>	427
61–90 days	<b>1,301</b>	62
91–180 days	<b>645</b>	2,094
181–365 days	<b>1,693</b>	6,772
Over 365 days	<b>25,078</b>	18,957
	<b>77,249</b>	55,052

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\$132,774,000 (31 December 2023: approximately HK\$133,783,000) and the Group has provided for impairment loss on the Group's deposits paid to suppliers balance of approximately HK\$8,818,000 (31 December 2023: approximately HK\$8,818,000) as at 30 June 2024.

## 14. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2024 (Unaudited) HK\$'000</b>	As at 31 December 2023 (Audited) HK\$'000
Trade payables	<b>16,599</b>	342
Deposits received from customers	<b>866</b>	872
Contract liabilities	<b>31</b>	50
Accruals	<b>2,890</b>	4,003
	<b>20,386</b>	5,267

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

	<b>As at 30 June 2024 (Unaudited)</b>	As at 31 December 2023 (Audited)
0–30 days	<b>16,599</b>	342

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

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
<b>At 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024</b>	<b>3,000,000</b>	<b>150,000</b>
<b>Issued and fully paid:</b>		
<b>At 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024</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).

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 2024 HK\$'000	31 December 2023 HK\$'000					
Equity instruments at FVTOCI listed in Hong Kong	50,958	43,067	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Financial asset at fair value through profit or loss for unlisted investment	25,627	36,608	Level 3	Discounted cash flow method	Discount rate	17.84% (2023: 17.84%)	note (a)
Financial asset at fair value through profit or loss for unlisted investment	14,529	–	Level 3	Net asset value	The fair value of net assets of the investee	HK\$37,254 per share	N/A

**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)*

*Note:* An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the equity instruments 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\$253,000/HK\$272,000 (31 December 2023: 179,000/192,000).

The quantitative information of significant unobservable inputs used in arriving at the level 3 fair value measurement are 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 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 Zhejiang province, Jiangsu province, Hainan province, Hunan province and Guangdong province.

### Overview

For the Period, the total revenue of the Group was approximately HK\$16,718,000, representing a decrease of approximately 46.1% as compared to that for the corresponding period in 2023. The decrease in revenue was mainly attributable to the decrease in the sales of the Group's pharmaceutical products.

In the first half of 2024, the trading activities and business operations of the Group have decreased due to the continuously 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 Group's major product under the second generation of Cephalosporins (二代頭孢產品) (1.0g) ("**Product**") has declined during the Period.

The Group recorded a net loss of approximately HK\$4,088,000 for the Period (six months ended 30 June 2023: HK\$13,357,000), the reduction in net loss was primarily due to (i) the recognition of the net exchange losses of approximately HK\$1.2 million for the Period as compared to the net exchange losses of approximately HK\$7.0 million for the six months ended 30 June 2023; (ii) the recognition of the impairment loss on trade and other receivables of approximately HK\$0.1 million for the Period as compared to the impairment loss on trade and other receivables of approximately HK\$2.2 million for the six months ended 30 June 2023; and (iii) the decrease in the marketing service fee and delivery expenses in line with the decrease in sales volume of the Product.

### 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 2024 and 2023 respectively.

Revenue contributed by each business segment for the six months ended 30 June					
		2024 (Unaudited)		2023 (Unaudited)	
		HK\$'000	%	HK\$'000	%
(1)	Distribution and trading of pharmaceutical products	12,116	72.5	27,124	87.5
(2)	Provision of marketing and promotion services	4,602	27.5	3,892	12.5
Total		16,718	100.0	31,016	100.0

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

This segment generated a revenue of approximately HK\$12,116,000 for the Period (six months ended 30 June 2023: approximately HK\$27,124,000), representing a decrease of approximately 55.3% as compared to that for the corresponding period in 2023. The decrease in revenue was primarily attributable to the continuously 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\$4,602,000 for the Period (six months ended 30 June 2023: approximately HK\$3,892,000), representing an increase of approximately 18.2% as compared to that for the corresponding period in 2023. 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.

This business segment includes the income generated by the Group's business of providing agency service of chemical reagents. As elaborated below, such revenue represents the net service income by the Group during the relevant periods.

The Group commenced the business of providing agency service of chemical reagents in 2023. The Group is considered as an agent for its contracts with customers relating to the provision of agency service of chemical reagents as the Group did not obtain control over chemical reagents before passing on to customers taking into consideration indicators such as the Group not being primarily responsible for fulfilling certain obligations and not being exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognises revenue relating to agency service of chemical reagents of approximately HK\$2.2 million and HK\$0.9 million during the Period and the corresponding period in 2023 respectively.

Conforming to the Period's presentation, the gross service income and cost associated with the agency service regarding the aforementioned chemical reagents, which were previously shown separately in revenue and cost of sales in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 in the 2023 interim report, have been recognised on net basis as agency income for the purpose of the audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 in the 2023 annual report and the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2024 and 30 June 2023 in this report. The revised presentation reflects more appropriately the nature of these items. These reclassifications have no effect on the reported consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows of the Group.

## 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), which was 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, seventh, eighth and ninth batches were completed in February 2021, June 2021, November 2021, July 2022, March 2023 and November 2023, 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 ("**6th 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. The ninth batch of the volume-based procurement ("**9th Batch**") was completed in November 2023. The 9th Batch involved 41 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 58% as compared to the average original bidding prices.

The renewal batch of the volume-based procurement for insulin products was completed in April 2024. This renewal batch involved 6 varieties of insulin products, with the average price being 3.8% lower than that of the 6th Batch for insulin products. Moreover, details of the tenth batch of the volume-based procurement for pharmaceutical products are expected to be released in the second half of 2024.

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 above-mentioned policies may put the pharmaceutical distribution and trading enterprises in the PRC, including the Group, in 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 2024, 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\$16,718,000, representing a decrease of approximately 46.1% from approximately HK\$31,016,000 for the six months ended 30 June 2023. The decrease in revenue from the continuously 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.

### **Cost of sales**

The cost of sales for the Period was approximately HK\$10,492,000 representing a decrease of approximately 56.0% from approximately HK\$23,854,000 for the six months ended 30 June 2023. The decrease in cost of sales was mainly due to the decrease in sales of the pharmaceutical products during the Period.

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

Gross profit decreased by approximately HK\$936,000, or approximately 13.1%, from approximately HK\$7,162,000 for the six months ended 30 June 2023 to approximately HK\$6,226,000 for the Period mainly because of the decrease in sales of the pharmaceutical products. The Group's gross profit margin for the Period was approximately 37.2%, which has increased by 14.1 percentage points when compared to the corresponding period in 2023.

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

The net other gains for the Period were approximately HK\$735,000 (six months ended 30 June 2023: losses of approximately HK\$4,946,000). Such change was primarily attributable to the decrease in net exchange losses of approximately HK\$1,184,000 recorded for the Period (2023: approximately HK\$6,995,000).

### **Selling and distribution expenses**

Selling and distribution expenses for the Period were approximately HK\$4,876,000, representing a decrease of approximately 35.4% from approximately HK\$7,552,000 for the six months ended 30 June 2023. 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.

### **Administrative expenses**

Administrative expenses for the Period were approximately HK\$5,867,000, representing a slight increase of approximately 0.9% from approximately HK\$5,814,000 for the six months ended 30 June 2023.

### **Income tax expense**

Income tax expense for the Period was approximately HK\$5,000 (six months ended 30 June 2023: nil). The increase was primarily to the increase in taxable income for tax purpose.

### **Loss for the Period**

Loss for the Period was approximately HK\$4,088,000, as compared to a loss of approximately HK\$13,357,000 for the corresponding period in 2023.

The Group recorded a net loss of the Group of approximately HK\$4,088,000 for the Period (six months ended 30 June 2023: HK\$13,357,000), the reduction in net loss was primarily due to (i) the recognition of the net exchange losses of approximately HK\$1.2 million for the Period as compared to the net exchange losses of approximately HK\$7.0 million for the six months ended 30 June 2023; (ii) the recognition of the impairment loss on trade and other receivables of approximately HK\$0.1 million for the Period as compared to the impairment loss on trade and other receivables of approximately HK\$2.2 million for the six months ended 30 June 2023; and (iii) the decrease in the marketing service fee and delivery expenses in line with the decrease in sales volume of the Product.

## 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 2024, the Group had net cash and cash equivalents amounting to approximately HK\$87,478,000 (31 December 2023: approximately HK\$103,954,000), among which approximately 51.0% (31 December 2023: approximately 6.3%) were denominated in Hong Kong dollars and approximately 49.0% (31 December 2023: approximately 93.7%) were denominated in Renminbi. The Group did not have any bank loan as at 30 June 2024 (31 December 2023: nil). The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2024 (31 December 2023: zero) as the Group did not have any bank loan and other borrowings as at the reporting date.

## Contingent liabilities

As at 30 June 2024, the Group had no material contingent liability.

## Significant investments and material acquisitions and disposals

### ***Acquisition of 16% of the issued share capital of China Nvwa Pharmaceutical Group Limited ("Target Company")***

On 16 May 2024, Major Bright Holdings Limited ("**Major Bright**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, and Mr. U Man long ("**Vendor**"), a third party independent of the Company and its connected persons, as the vendor, entered into the sale and purchase agreement in relation to the acquisition of 16 ordinary shares ("**Sale Shares**") of the Target Company at the consideration of HK\$17,280,000. The Sale Shares represent 16% of the issued share capital of the Target Company. The Target Company and its subsidiaries (collectively, the "**Target Group**") are principally engaged in the manufacture, sales and distribution of pharmaceutical products in the PRC.

Immediately after completion of the acquisition, the Group holds 16% equity interest in the Target Company. The Directors consider that the Group does not have control nor significant influence over the Target Company since the Group does not have the right to appoint any director of the board of the Target Company. The directors of the Company have elected to designate this investment in equity instrument at fair value through other comprehensive income as they believe that this investment is held for long-term purpose and realising the performance potential in the long-run.

The acquisition was approved by the shareholders of the Company at a special general meeting held on 16 July 2024. All the conditions precedent set out in the sale and purchase agreement were fulfilled and completion of the acquisition took place on 31 July 2024.

Details of the acquisition are disclosed in the Company's announcements dated 16 May 2024 and 16 July 2024, and the Company's circular dated 21 June 2024.



### **Cooperation agreement and increase in capital contribution of Shengzhou Xinrui Wanlin Enterprise Management Co., Ltd. (“Shengzhou Xinrui Wanlin”)**

On 24 May 2024, Zhejiang Xinrui Biopharmaceutical Co., Ltd. (“**Zhejiang Xinrui Biopharmaceutical**”), an indirect 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 杭州觀聖管理諮詢有限公司 (in English, for identification purpose only, Hangzhou Guansheng Management Consulting Co., Ltd.) (“**Partner B**”) entered into the cooperation agreement (“**Cooperation Agreement**”) in respect of, among others, the increase in capital contribution and operation and management of the affairs of Shengzhou Xinrui Wanlin.

Shengzhou Xinrui Wanlin was established in the PRC with limited liability on 18 March 2024 with an initial registered capital of RMB1.00 million and owned as to 40%, 39% and 21% by Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B respectively. Pursuant to the Cooperation Agreement, the registered capital of Shengzhou Xinrui Wanlin would be increased to RMB34.00 million, and Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B should make further capital contribution to Shengzhou Xinrui Wanlin in proportion to their respective shareholding. In this connection, Zhejiang Xinrui Biopharmaceutical would contribute an additional capital contribution of RMB12.87 million, and the total capital contribution to be made by Zhejiang Xinrui Biopharmaceutical would be RMB13.26 million. Partner A would contribute an additional capital contribution of RMB13.20 million, and the total capital contribution to be made by Partner A would be RMB13.60 million. Partner B would contribute an additional capital contribution of RMB6.93 million, and the total capital contribution to be made by Partner B would be RMB7.14 million. After such additional capital contribution, the shareholding of Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B in Shengzhou Xinrui Wanlin would remain the same.

Shengzhou Xinrui Wanlin would engage in the project which involves the development of a healthy food industrial park (“**Industrial Park**”) in Shengzhou, Zhejiang Province, the PRC. The project includes the acquisition of the land use right of a parcel of land located in Shengzhou, Zhejiang Province, the PRC with site area of approximately 26,028 m<sup>2</sup> (“**Project Land**”) by public tender and the development and operation of the related facilities and buildings thereon.

The Industrial Park is targeted at enterprises in the healthy food industry and designed to be a multi-functional site integrating production, offices and living facilities for enterprises and their employees.

The Industrial Park is expected to participate in various aspects of the industrial chain by bringing together composite functions such as production, logistics, research and development, offices, research bases, training, business and leisure, catering and entertainment, inspection and quality control, and procurement and trade, forming a sustainable business district in Shengzhou, Zhejiang Province, the PRC.

Shengzhou Xinrui Wanlin would operate and manage the Industrial Park, and is expected to commence soliciting potential customers in the third quarter of 2024 for the sale and lease of the facilities and buildings in the Industrial Park. The facilities and buildings will be held by the Target Company for sale, investment (through renting out) and/or self-use, depending on the market demand for such facilities and buildings upon completion of the development.

On 9 July 2024, the process of the abovementioned public tender was completed. Shengzhou Xinrui Wanlin was the successful bidder of the Project Land and the final bid price was RMB14.7 million.

The Group's investment in Shengzhou Xinrui Wanlin would be recognised as a financial asset at fair value through profit or loss of the Company.

Please refer to the announcements of the Company dated 24 May 2024 and 9 July 2024 for further details of the Cooperation Agreement.

### **Cornerstone investment in Jiangxi Rimag Group Co., Ltd. ("Jiangxi Rimag Group")**

On 28 May 2024, China New Rich Medicine Holding Co. Limited ("**China New Rich**") (a wholly-owned subsidiary of the Company), as investor, entered into a cornerstone investment agreement ("**Cornerstone Investment Agreement**") with Jiangxi Rimag Group, CITIC Securities (Hong Kong) Limited and CLSA Limited, pursuant to which China New Rich had agreed to subscribe for the overseas listed foreign shares in the share capital of Jiangxi Rimag Group with nominal value of RMB1.00 each ("**Jiangxi Rimag H Shares**") at the offer price of the Jiangxi Rimag H Shares to be subscribed for and traded in HK\$ and were to be listed on the Stock Exchange pursuant to the global offering of the Jiangxi Rimag H Shares, up to a maximum of HK\$12,000,000 (excluding the applicable brokerage and levies which China New Rich would pay in respect of such shares).

China New Rich, as a cornerstone investor, was allotted and issued with 801,000 Jiangxi Rimag H shares upon listing of Jiangxi Rimag. All such Jiangxi Rimag H Shares are subject to a lock-up period ending on 6 June 2025.

Please refer to the announcement of the Company dated 30 May 2024 for further details of the cornerstone investment in Jiangxi Rimag Group.

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 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 2024, the Group pledged the buildings and right-of-use assets with an aggregate carrying amount of approximately HK\$12,193,000 to secure general banking facilities granted to the Group (31 December 2023: approximately HK\$12,479,000).

## 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.

As at 30 June 2024, 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\$32.9 million and an investment amount of approximately HK\$142.0 million. As at 30 June 2024, the fair value of the Group's investment in Town Health accounted for approximately 6.6% of the Group's total assets. The Group recognised a fair value loss on its investment in the TH Shares of approximately HK\$5.3 million for the Period. No dividend income was received from Town Health for the Period.

As at 30 June 2024 and the date of this report, 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 annual results of Town Health for the year ended 31 December 2023, in 2024, risks and opportunities will coexist. On the one hand, the global economic growth is slowing down and the economic recovery path of the Mainland China is relatively bumpy. The constraints caused by monetary tightening policies on real economic activities may become more apparent. On the other hand, as the Pandemic recedes, society returns to normal and the job market continues to improve. The continued strong consumer spending of citizens and the gradual recovery of the inbound tourism industry will be the two major supports for Hong Kong's economic recovery and drive the continued development of the local private medical service industry. In the long run, population ageing in Hong Kong and the Mainland China is an irreversible trend, and the prevalence of chronic diseases continues to rise. The ageing society has an increasing demand for medical, health care, long-term care and other services, which provides a favourable environment for the long-term development of Town Health's businesses with certainty. After Hong Kong and the Mainland China achieved full resumption of normal travel last year, personnel and economic and trade exchanges between the two places have become increasingly closer, perhaps even better than the situation before the Pandemic. The government also encourages the development of "Hong Kong Doctors and Hong Kong Pharmaceuticals" in the Mainland China, especially the Guangdong-Hong Kong-Macao Greater Bay Area market with a permanent population of more than 86 million. Town Health will closely monitor macroeconomic changes and trends in the healthcare industry, balance growth and risks, and seek to further integrate existing healthcare resources in Hong Kong and the Mainland China. It will connect its chain medical centres, high-end medical imaging and diagnostic centres, health check centres, health management centres, hospitals and internet hospital, and telemedicine platform in establishing a full-cycle, integrated and one-stop healthcare service ecosystem in the Guangdong-Hong Kong-Macao Greater Bay Area. In view of the dual challenges of the ageing population and the increasing prevalence of chronic diseases in Hong Kong, Town Health will continue to support the

government in promoting primary healthcare policies, proactively participate in various funding or public-private partnership programmes for primary healthcare, and strengthen cooperation and business contacts with the government. Town Health will cooperate with the government's primary healthcare development strategy which is prevention-oriented, community-based and family-centric, and featured by focus on early detection and early treatment. Town Health is well prepared to maximize the effectiveness of its two-way referral mechanism between primary care and specialists to provide convenient, comprehensive, coherent and coordinated healthcare services in the communities where customers live and work.

As at 30 June 2024, the Group's securities investment listed in Hong Kong (other than the TH Shares) had a fair value of approximately HK\$18.0 million.

During the Period, the Group acquired shares of Jiangxi Rimag Group as a cornerstone investor. These shares are classified as equity securities listed in Hong Kong and were acquired at a cost of approximately HK\$12.0 million.

The fair value loss (inclusive of the fair value loss on the TH Shares) of approximately HK\$4.2 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.

### **Financial assets at FVTPL**

The Group's financial assets at FVTPL include investment in Shengzhou Xin Rui Wan Ma Enterprises Co., Ltd. ("**Shengzhou Xin Rui Wan Ma**") and investment in Shengzhou Xinrui Wanlin.

As at 30 June 2024, the Group held approximately 39% equity interest in Shengzhou Xin Rui Wan Ma with a fair value of approximately HK\$25,627,000 and an investment amount of approximately HK\$25,500,000. During the Period, the Group has received repayment of shareholder loan of approximately HK\$10,714,000 from Shengzhou Xin Rui Wan Ma. As at 30 June 2024, the fair value of the Group's investment in Shengzhou Xin Rui Wan Ma accounted for approximately 5.2% of the Group's total assets. The Group recognised a fair value loss on its investment in Shengzhou Xin Rui Wan Ma of approximately HK\$267,000 for the Period. No dividend income was received from Shengzhou Xin Rui Wan Ma for the Period.

The purpose of Shengzhou Xin Rui Wan Ma is to engage in a project which involves the investment and construction of a healthcare industrial park in Shengzhou, Zhejiang Province, the PRC. 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.

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 in relation to Shengzhou Xin Rui Wan Ma.

During the Period, the Group has an investment in Shengzhou Xinrui Wanlin of approximately HK\$14,529,000 as disclosed in the sub-section headed “Significant investments and material acquisitions and disposals” in the section headed “Management Discussion and Analysis” in this report.

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 report, the Group currently does not have other future plan for material investments.

### **Employee information**

As at 30 June 2024, the Group had 23 employees (31 December 2023: 23). Staff costs, including Directors’ emolument for the Period, amounted to approximately HK\$4,022,000 (six months ended 30 June 2023: approximately HK\$3,843,000). 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.

## 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, 3 March 2017 and 16 July 2024, 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 2024 was as follows:

### Intended use of proceeds

### Actual use of proceeds as at 30 June 2024

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 HCMPHS 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 HCMPHS 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 |
|                                                                                                                                                                                                                           | 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                                                                              |

## Intended use of proceeds

- (3) approximately HK\$43.0 million for the acquisition of 12% of the issued share capital of WinHealth International
- (4) approximately HK\$17.0 million for the repayment of the Group's bank borrowings in the PRC
- (5) approximately HK\$40.0 million for expanding the product range of imported prescription drugs
- (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 2024

- 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
- 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
- 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 remaining balance of the Relevant Proceeds. As at 30 June 2024, the total unutilised proceeds were approximately HK\$39.6 million. As disclosed in the annual report of the Company for the year ended 31 December 2023, the unutilised proceeds were from the Relevant Proceeds which shall be used (i) for the acquisition of the equity interests (in part or in full) of pharmaceutical companies which are principally engaged in overseas and/or domestic pharmaceutical business in the PRC; and (ii) as the Group's general working capital.

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. The Company has constantly assessed the market conditions and development in the PRC, and will continue to try its best endeavour to identify suitable acquisition and investment opportunities or targets for the utilisation of the remaining unutilised proceeds from the Rights Issue.

As at the date of this report, the Company (i) has used approximately HK\$17.3 million of the unutilised proceeds for funding the consideration for the acquisition of 16% of the issued share capital of China Nvwa Pharmaceutical Group Limited (中國女媧醫藥集團股份有限公司) (as disclosed in “Significant investments and material acquisitions and disposals” in this report above, the announcements of the Company dated 16 May 2024 and 16 July 2024 and the circular of the Company dated 21 June 2024), being a group of companies which are principally engaged in domestic pharmaceutical business in the PRC; and (ii) plans to use the remaining approximately HK\$22.3 million of the Unutilised Proceeds as the Group’s general working capital.

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 31 December 2024. Currently, the Company placed the 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 2024, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO), or which are required to be 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	(i) Beneficial owner (ii) Interest of a controlled corporation	443,272,000	Long	26.51% (Note 3)
Ms. Zhou Wan	Beneficial owner	15,000,000	Long	0.90% (Note 2)

Note 1: The total number of 1,671,846,657 shares of the Company in issue as at 30 June 2024 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 on 14 June 2022 and vested on 14 June 2022 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.

Note 3: (i) Chu Xueping, in his capacity as beneficial owner, is interested in 16,600,000 underlying shares of the Company in respect of share options granted by the Company on 14 June 2022 and vested on 14 June 2022 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.

(ii) Chu Xueping, through a controlled corporation, is interested in 426,672,000 shares of the Company. As at 31 December 2023, Eagle Amber Holdings Limited was beneficially owned by Chu Xueping as to 50.0%. As such, Chu Xueping was 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.

Save as disclosed above, as at 30 June 2024, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept under Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

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

As at 30 June 2024, 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

Name of shareholder	Capacity	Number of ordinary shares	Position	Approximate percentage of the total issued shares (Note 1)
Eagle Amber Holdings Limited (Note 2)	Beneficial owner	426,672,000	Long	25.52%
Dai Xiaosong (Note 2)	Interest of a controlled corporation	426,672,000	Long	25.52%

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

Name of shareholder	Capacity	Number of ordinary shares	Position	Approximate percentage of the total issued shares (Note 1)
Zhou Ling (Note 3)	Beneficial owner and interest of spouse	161,400,000	Long	9.65%
Yang Fang (Note 3)	Beneficial owner and interest of spouse	161,400,000	Long	9.65%
Qian Shenglei	Beneficial owner	119,752,000	Long	7.16%

Note 1: The total number of 1,671,846,657 shares of the Company in issue as at 30 June 2024 has been used for the calculation of the approximate percentage.

Note 2: As at 30 June 2024, Eagle Amber Holdings Limited was beneficially owned by Chu Xueping and Dai Xiaosong as to 50.0% and 50.0% respectively. As such, Chu Xueping 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. Chu Xueping's interest in the Shares is set out in the paragraph headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" above.

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 2024, the Company was not aware of any other persons (not being the Directors or the chief executive of the Company) or corporations having interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

### Share option scheme

The share option scheme (“**Scheme**”) of the Company took effect 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. The Scheme was valid and effective for a period of 10 years commencing on its effective date. No option was granted, exercised, cancelled or lapsed under the Scheme during the Period as the Scheme expired in October 2023.

The following table sets out the movements of the number of the Company’s share options granted and vested on 14 June 2022 and held by the eligible participants during the Period:

Category of participants	Outstanding at 1 January 2024	Granted during the Period	Exercised during the Period	Forfeited/Cancelled/Lapsed during the Period	Exercise period	Closing price per share immediately before the date of grant	Outstanding at 30 June 2024
<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
Ms. Zhou Wan	15,000,000	-	-	-	14 June 2022 to 13 June 2027	0.275	15,000,000
<b>Employees</b>	80,000,000	-	-	-	14 June 2022 to 13 June 2027	0.275	80,000,000
	128,200,000	-	-	-			128,200,000
Exercisable at the end of the Period							128,200,000
Weighted average exercise price (HK\$)	0.287	N/A	N/A	N/A			0.287

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options might be granted when aggregated with any other share option scheme of the Company was not permitted to exceed 10% of the total number of shares in issue as at the date of adoption of the Scheme. As the Scheme expired in October 2023, the Directors could no longer grant any further options under the Scheme upon its expiry.

The number of options available for grant under the scheme mandate limit of the Scheme was nil at the beginning of the Period, representing approximately 0% of the issued Shares as at that date. Such number remained at nil as at 30 June 2024. No separate service provider sub-limit was fixed at the time of adoption of the Scheme.

Since no option was granted under the Scheme during the Period, the number of shares that might be issued in respect of options granted under the Scheme during the Period divided by the weighted average number of the Company's shares in issue for the Period was zero.

### **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 "Other information – 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 C1 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 C3 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 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 case was subsequently heard in July 2024.

The Company was excused by the Court from the hearing. On 23 July 2024, the Court made an order to, among other things, grant leave to other parties to the proceedings to file and serve certain documents.

As at 30 June 2024 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, Chief Executive Officer and Executive Director*

Hong Kong, 28 August 2024