



**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

**2021 Interim Report**

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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Ms. Wang Qiuqin (appointed as Chairman on 15 May 2021) (*Chief Executive Officer*)

Mr. Liu Yang (resignation with effect from 15 May 2021)

Mr. Huo Zhihong

Mr. Chu Xueping (appointed on 18 June 2021)

#### 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*)

Mr. Liu Yang (resignation with effect from 15 May 2021)

Ms. Li Sin Ming, Ivy

Mr. Sy Lai Yin, Sunny

#### Nomination Committee

Mr. Leung Chi Kin (*Chairman*)

Mr. Liu Yang (resignation with effect from 15 May 2021)

Ms. Li Sin Ming, Ivy

Mr. Sy Lai Yin, Sunny

#### Corporate Governance Committee

Ms. Wang Qiuqin (appointed as Chairman on 15 May 2021)

Mr. Liu Yang (resignation with effect from 15 May 2021)

Mr. Huo Zhihong

Mr. Sy Lai Yin, Sunny

### Company Secretary

Mr. Lai Kwok Wa, *HKICPA*

### Auditor

Moore Stephens CPA Limited

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

### Stock Code

6108

### Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### Headquarters

B-C, 37/F

Dikai International Center

19 Dangui Road

Hangzhou, the People's Republic of China ("PRC")

### 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

Hangzhou Fu Rong Sub-branch

No. 21 Cai He Road

Jiangnan District

Hangzhou City

Zhejiang Province, the PRC

### 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

Level 54

Hopewell Centre

183 Queen's Road East

Hong Kong

### Website

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

## **FINANCIAL HIGHLIGHTS**

### **For the six months ended 30 June 2021:**

- The Group recorded a revenue of approximately HK\$214,491,000 for the six months ended 30 June 2021, which has increased by approximately 208.8% when compared to that of approximately HK\$69,470,000 for the corresponding period in 2020.
- The Group recorded a change from a net loss attributable to owners of the Company of approximately HK\$36,434,000 for the six months ended 30 June 2020 to a net profit attributable to owners of the Company of approximately HK\$1,133,000 for the six months ended 30 June 2021.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: nil).

### **As at 30 June 2021:**

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2021 (31 December 2020: zero).

The board (the “Board”) of directors (the “Directors”) of New Ray Medicine International Holding Limited (the “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 2021 (“Period”) together with the comparative unaudited figures for the corresponding period in 2020 as follows:

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

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	4	214,491	69,470
Cost of sales		(194,388)	(64,567)
Other income, gains and losses	5	20,103	4,903
Selling and distribution expenses		(578)	(1,512)
Administrative expenses		(7,437)	(4,845)
Finance costs		(10,196)	(10,526)
Share of profit of associates	12	(52)	(51)
Impairment loss on trade and other receivables		1,110	488
Impairment loss on interest in an associate		(1,817)	(2,855)
		-	(22,235)
Profit (loss) before tax		1,133	(36,633)
Income tax credit	6	-	199
Profit (loss) for the period attributable to owners of the Company	7	1,133	(36,434)
<b>Other comprehensive income (expense) for the period:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain (loss) on equity instruments at fair value through other comprehensive income		17,371	(17,857)
Exchange difference arising on translation of functional currency to presentation currency			
– Subsidiaries		5,043	(5,704)
– Associates		283	(1,069)
Other comprehensive income (expense) for the period		22,697	(24,630)
<b>Total comprehensive income (expense) for the period</b>		<b>23,830</b>	<b>(61,064)</b>
Profit (loss) for the period attributable to owners of the Company		1,133	(36,434)
Total comprehensive income (expense) for the period attributable to owners of the Company		23,830	(61,064)
Earnings (loss) per share			
– Basic and diluted ( <i>HK cent</i> )	9	0.07	(2.18)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	11,832	12,826
Right-of-use assets	10	20,828	21,351
Prepayment for a distribution right		13,110	14,858
Intangible assets		7,852	8,713
Club debenture		601	594
Equity instruments at fair value through other comprehensive income	11	208,787	139,465
Interests in associates	12	–	102,958
		<b>263,010</b>	300,765
<b>Current assets</b>			
Inventories	13	81,008	60,788
Trade and other receivables	14	244,170	219,010
Prepayment for a distribution right		3,846	3,802
Bank balances and cash		68,671	65,755
		<b>397,695</b>	349,355
<b>Current liabilities</b>			
Other payables	15	19,542	32,079
Lease liabilities	10	507	975
		<b>20,049</b>	33,054
<b>Net current assets</b>			
		<b>377,646</b>	316,301
<b>Total assets less current liabilities</b>			
		<b>640,656</b>	617,066
<b>Non-current liabilities</b>			
Lease liabilities	10	1,183	1,423
Deferred tax liabilities		9,719	9,719
		<b>10,902</b>	11,142
		<b>629,754</b>	605,924
<b>Capital and reserves</b>			
Share capital	16	83,592	83,592
Share premium and reserves		546,162	522,332
Equity attributable to owners of the Company		<b>629,754</b>	605,924

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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)	Translation reserve HK\$'000 (note d)	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021	83,592	607,614	50,167	23,729	(172,671)	(10,865)	24,358	605,924
Loss for the Period	-	-	-	-	-	-	1,133	1,133
Other comprehensive income for the Period	-	-	-	-	17,371	5,326	-	22,697
Total comprehensive income for the Period	-	-	-	-	17,371	5,326	1,133	23,830
Exchange difference released upon disposal/deemed disposal of an associate	-	-	-	-	-	6,410	(6,410)	-
At 30 June 2021 (unaudited)	83,592	607,614	50,167	23,729	(155,300)	871	19,081	629,754
At 1 January 2020	83,592	607,614	50,167	23,729	(174,517)	(30,191)	94,089	654,483
Loss for the period	-	-	-	-	-	-	(36,434)	(36,434)
Other comprehensive expense for the period	-	-	-	-	(17,857)	(6,773)	-	(24,630)
Total comprehensive expense for the period	-	-	-	-	(17,857)	(6,773)	(36,434)	(61,064)
At 30 June 2020 (unaudited)	83,592	607,614	50,167	23,729	(192,374)	(36,964)	57,655	593,419

### Notes:

- (a) Included in contributed surplus, HK\$70,167,000 represents the difference arising from share swap pursuant to the Group's reorganisation during the year ended 31 December 2013, such amount is net off with HK\$20,000,000 dividend declaration 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 (the "PRC"), they are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out on 10% of the net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries in accordance with relevant laws and regulations applicable to PRC enterprises. The statutory surplus reserve fund can be used to make up prior years' losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The statutory surplus reserve can be released to the retained profits upon the dissolution or winding up of the entity.
- For 泓銳 (杭州) 生物醫藥科技有限公司 (in English, for identification purpose only, Hong Rui (Hangzhou) Bio-medical Technology Co. Ltd.) ("Hong Rui Bio-medical"), another subsidiary of the Company, as it is a wholly foreign owned enterprise, appropriation to statutory surplus reserve fund is based on the management's discretion.
- (c) Any cumulative gains or losses arising from the revaluation of the Group's equity instruments at FVTOCI have been recognised in the FVTOCI (non-recycling) reserve in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained profits.
- (d) Translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (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 are reclassified to profit or loss on the disposal or de-consolidation of the foreign operations.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Net cash (outflow) inflow from operating activities	<b>(48,588)</b>	13,492
Net cash inflow from investing activities	<b>53,464</b>	696
Net cash outflow from financing activities	<b>(834)</b>	(750)
Net increase in cash and cash equivalents	<b>4,042</b>	13,438
Cash and cash equivalents at the beginning of the period	<b>65,755</b>	88,668
Effect of foreign exchange rate changes	<b>(1,126)</b>	(772)
Cash and cash equivalents at the end of the period		
Represented by bank balances and cash	<b>68,671</b>	101,334

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

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

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

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 Company's announcements in relation to the acquisition of 50% interest in Saike International Medical Group Limited ("Saike International") and the Company's announcements 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 Listing Rules should trading in the Company's securities remain suspended on 31 January 2020. If the Stock Exchange is not satisfied that the Company has taken and is taking all reasonable steps to procure a resumption of trading, the Stock Exchange is likely to proceed to delist the Company without further delay.

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

On 17 November 2020, the Company was served a sealed copy of a petition dated 16 November 2020 filed in the High Court of Hong Kong (the "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 by the Petition are two former Directors, namely, Mr. Zhou Ling ("Mr. Zhou") and Mr. Dai Haidong ("Mr. Dai") who retired and resigned from their position as executive Directors on 27 June 2018 and 5 November 2015 respectively.

## 1. GENERAL INFORMATION *(Continued)*

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

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

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

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

As at the date on which these condensed consolidated financial statements are authorised for issue, the IBC's investigation into the affairs of the Acquisitions and the review of the effectiveness of the Group's internal control systems in relation to the investment procedure are still under progress.

As disclosed in note 20 to the consolidated financial statements of the Company for the year ended 31 December 2020, the Acquisitions were related to the sale and purchase agreements which the Group entered into with purportedly independent third parties to acquire the then two associates, Saike International and WinHealth International (see note 20 to the consolidated financial statements of the Company for the year ended 31 December 2020 for details), which were completed in 2015 and 2017 respectively and the costs of 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.

As at 30 June 2021, the fair value of 25% of the issued share capital of Saike International is approximately HK\$49,316,000 which has been classified as an equity instrument at FVTOCI after the loss of significant influence on 1 March 2021. The Group has no power to appoint any director to the board of directors of Saike International since 1 March 2021 and only the single largest shareholder who owns 50% equity interest in Saike International has the power to appoint directors of Saike International.

As at 30 June 2021, the fair value of the Group's interest in WinHealth International is approximately HK\$80,767,000 (31 December 2020: approximately HK\$74,468,000), which has 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 (see note 20(d) to the consolidated financial statements of the Company for the year ended 31 December 2020 for details).

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 Company. Since all the balances related to the Artificial Transactions were settled before the end of 2018, the management concluded that there would be no financial effect on the consolidated financial statements of the Company for the years ended 31 December 2020 and 2019.

## 1. GENERAL INFORMATION *(Continued)*

Based on the latest available information on the progress of the investigation conducted by the IBC and up to the date when these condensed consolidated financial statements are authorised for issue, including announcements made by the Company, the IBC's investigation into the issues of the Acquisitions and the matters alleged in the Petition in relation to the Acquisitions, is still on-going, did not result 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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("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 2020.

## 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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

### Application of new and amendments to HKFRSs

In the Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 39, HKFRS 4, HKFRS 7,  
HKFRS 9 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

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

## 4. REVENUE AND SEGMENT INFORMATION

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

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

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

Segment profit represents the gross profit attributable to each segment. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

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

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

##### Six months ended 30 June 2021 (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	211,682	2,809	214,491
<b>RESULT</b>			
Segment profit	15,690	2,596	18,286
Other income, gains and losses			(578)
Selling and distribution expenses			(7,437)
Administrative expenses			(10,196)
Finance costs			(52)
Share of profit of associates			1,110
Profit before tax			1,133

##### Six months ended 30 June 2020 (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	67,615	1,855	69,470
<b>RESULT</b>			
Segment profit	334	1,714	2,048
Other income, gains and losses			(1,512)
Selling and distribution expenses			(4,845)
Administrative expenses			(10,526)
Finance costs			(51)
Share of profit of associates			488
Impairment loss on interest in an associate			(22,235)
Loss before tax			(36,633)

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

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

##### Geographical information

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

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

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Bank interest income	603	740
Dividend income from equity instruments at FVTOCI	-	174
Net exchange gain (loss)	1,774	(2,556)
Gain on disposal of property, plant and equipment	-	1
Government subsidies (note)	29	116
Loss on partial disposal of interest in an associate	(1,420)	-
Loss on deemed disposal of interest in an associate	(1,566)	-
Others	2	13
	578	(1,512)

Note: During the six months ended 30 June 2021, the Group was granted incentives of RMB25,000 (equivalent to approximately HK\$29,000) by local government in Hangzhou, the PRC for the purpose of enhancing the development of the Group. The management of the Company consider there is reasonable assurance that the conditions of these incentives will be fulfilled and hence these government incentives were recognised in profit or loss.

#### 6. INCOME TAX CREDIT

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Current tax:</b>		
PRC Enterprise Income Tax	-	-
Deferred Tax	-	199
Total tax credit for the period	-	199

Under the Laws of the PRC on Enterprise Income Tax (the "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. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Profit (loss) for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	1,163	1,147
Depreciation of right-of-use assets	758	760
Amortisation of intangible assets (included in cost of sales)	956	884
Amortisation of prepayment for a distribution right (included in cost of sales)	1,912	1,769
Cost of inventories recognised as an expense	191,520	61,914

## 8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2020: nil).

## 9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Profit (loss)</b>		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	1,133	(36,434)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	1,671,846,657	1,671,846,657

Note: The basic and diluted earnings (loss) per share for both periods are 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\$18,000 (six months ended 30 June 2020: approximately HK\$76,000).

During the Period, the Group did not have any new lease agreement. During the six months ended 30 June 2020, the Group entered into two lease agreements with lease terms of 2 years. On lease commencement, the Group recognised right-of-use assets of approximately HK\$997,000 and lease liabilities of approximately HK\$997,000.

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

Equity instruments at FVTOCI comprise:

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Listed investments:		
– Equity securities listed in Hong Kong	<b>60,784</b>	38,397
Unlisted investments:		
– Equity securities	<b>148,003</b>	101,068
<b>Total</b>	<b>208,787</b>	139,465
Analysed for reporting purposes as:		
Non-current assets	<b>208,787</b>	139,465

Details of the fair value of equity instruments at FVTOCI are disclosed in note 17 to the condensed consolidated financial statements.

## 12. INTERESTS IN ASSOCIATES

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Cost of unlisted investments in associates	–	118,631
Share of post-acquisition profit and other comprehensive income	–	50,753
Exchange difference arising on translation	–	(5,692)
	–	163,692
Impairment loss	–	(60,734)
	–	102,958

## 12. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2020, the interests in associates mainly represented 50% equity interest in Saike International, a company incorporated in the BVI in July 2014.

On 20 March 2015, Major Bright Holdings Limited ("Major Bright"), a wholly-owned subsidiary of the Company, as purchaser, and Ms. Zhao Lei, as vendor, entered into a sale and purchase agreement in respect of the acquisition of 50% equity interest in Saike International at an aggregate consideration of RMB95,000,000 (equivalent to approximately HK\$118,631,000) ("Saike Acquisition"). Saike International and its subsidiaries (collectively, the "Saike Group") are principally engaged in the trading of medical devices and equipment and medical consumables in the PRC.

As at 31 December 2020, although the Group held 50% equity interest in Saike International and had the power to appoint one out of two directors, the director who is appointed by the other shareholder shall be entitled to a second and/or casting vote in the event of an equality of votes. Therefore, in the opinion of the Directors, the Group had significant influence over Saike International. As at 31 December 2020, the Group's interest in Saike International was classified as an associate of the Group.

On 30 November 2020, Major Bright (as vendor) entered into the sale and purchase agreement with an independent third party, Wing Yin Holdings Limited ("Wing Yin") (as purchaser) and its guarantor, for the disposal of 25% of the issued share capital of Saike International at a maximum consideration of RMB44,000,000 (equivalent to approximately HK\$51.8 million) (subject to adjustment) ("Disposal Agreement"). On 10 February 2021, all the conditions precedent set out in the Disposal Agreement were fulfilled and the completion of the disposal in accordance with the terms and conditions of the Disposal Agreement took place on the same day. Immediately after completion, the Group holds 25% of the issued share capital of Saike International.

On 1 March 2021, Major Bright entered into a shareholders' agreement with the other shareholders of Saike International, namely, Ms. Zhao Lei and Wing Yin. In accordance with the terms and conditions of the shareholders' agreement, the Directors considered that the Group lost significant influence over Saike International because the Group has no power to appoint any director to the board of Saike International. Since then, Saike International ceased to be an associate of the Group and the retained equity interests of the Group in Saike International were reclassified as equity instruments at FVTOCI on 1 March 2021. The fair value of the retained equity interests in Saike International on the date of reclassification to equity instruments at FVTOCI was HK\$51,952,000 with a loss on deemed disposal of interest in an associate of HK\$1,566,000 recognised in the profit or loss of the Company for the six months ended 30 June 2021.

## 13. INVENTORIES

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Finished goods	<b>81,008</b>	60,788

#### 14. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Trade receivables	<b>103,391</b>	38,150
Less: allowance for credit loss	<b>(32,100)</b>	(29,931)
Trade receivables (net of allowance for credit loss)	<b>71,291</b>	8,219
Other prepayments	<b>337</b>	567
Other deposits	<b>393</b>	393
Prepayments to suppliers	<b>32,551</b>	38,124
Deposits paid to suppliers (net of allowance for credit loss)	<b>135,884</b>	162,762
Value-added tax recoverable	<b>3,532</b>	8,759
Others	<b>182</b>	186
Current portion	<b>244,170</b>	219,010

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

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Trade receivables:		
0 – 30 days	<b>30,500</b>	1,058
31 – 60 days	<b>12,620</b>	388
61 – 90 days	<b>15,275</b>	6,729
91 – 180 days	<b>12,896</b>	44
181 – 365 days	–	–
Over 365 days	–	–
	<b>71,291</b>	8,219

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

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

Included in the Group's deposits paid to suppliers balance with aggregate gross carrying amount of approximately HK\$144,179,000 (31 December 2020: approximately HK\$171,057,000) and the Group has provided for impairment loss of approximately HK\$8,295,000 (31 December 2020: approximately HK\$8,295,000) as at 30 June 2021.

## 15. OTHER PAYABLES

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Deposits received from customers	985	1,093
Deposit received from partial disposal of interest in an associate	–	5,941
Deposit received from disposal of an equity instrument at FVTOCI	12,018	–
Contract liabilities	1,059	21,002
Other tax payables	3	1
Accruals	5,477	4,042
	<b>19,542</b>	<b>32,079</b>

## 16. SHARE CAPITAL

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

### Ordinary shares

	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>		
<b>At 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021</b>	<b>3,000,000</b>	<b>150,000</b>
<b>Issued and fully paid:</b>		
<b>At 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021</b>	<b>1,671,847</b>	<b>83,592</b>

## 17. 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).

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range (weighted average)	Relationship of unobservable inputs for fair value
	30 June 2021 HK\$'000	31 December 2020 HK\$'000					
Equity instruments at FVTOCI listed in Hong Kong	60,784	2,049	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Club debenture	601	594	Level 2	Quoted bid prices in secondary market for identical asset	N/A	N/A	N/A
Equity instrument at FVTOCI listed in Hong Kong under suspension	-	36,348	Level 3	Guideline public company method: identifying suitably comparable companies and selection of appropriate trading multiples (note (i)(a))	EV/EBITDA multiple P/S multiple Discount for lack of marketability	N/A (31 December 2020: 10.11) N/A (31 December 2020: 1.29) N/A (31 December 2020: 11%)	note (i)(c) note (i)(c) note (i)(c)
Equity instrument at FVTOCI for unlisted investment	80,767	74,468	Level 3	Recent transaction price (note (i)(b))  (31 December 2020: Option-pricing method: allocating total equity value to individual ownership classes in a capital structure)	N/A  P/E multiple Discount for lack of marketability	N/A  N/A (31 December 2020: 14.44) N/A (31 December 2020: 15.80%)	N/A  note (i)(d) note (i)(d)
Equity instrument at FVTOCI for unlisted investment	17,920	26,600	Level 3	Discounted cash flow method	Discount rate  Terminal growth Rate	13.53%  2.30% (31 December 2020: 12.83%) (31 December 2020: 2.07%)	note (i)(e)  note (i)(e)
Equity Instrument at FVTOCI for unlisted investment	49,316	-	Level 3	Guideline public company method: identifying suitably comparable companies and selection of appropriate trading multiples	P/B multiple Discount for lack of marketability	2.04  21.94% (31 December 2020: N/A) (31 December 2020: N/A)	note (i)(f)  note (i)(f)

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

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

Notes:

(i) a. During the Period, the SFC has permitted dealings in the shares of Town Health International Medical Group Limited ("Town Health") (stock code: 3886) to recommence on 1 March 2021 subject to conditions imposed by the SFC. The trading of the shares of Town Health on the Stock Exchange has resumed at 9:00 a.m. on 1 March 2021. As at 30 June 2021, the Group's investments in Town Health has been reclassified as equity instruments at FVTOCI listed in Hong Kong, the level of fair value measurement has been transferred from Level 3 to Level 1.

b. There is change in valuation technique on measuring the fair value of this investment from option-pricing method to recent transaction price during the Period because the management consider the recent transaction price is more representative for fair value in the circumstances.

c. A decrease in the EV/EBITDA multiple used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI listed in Hong Kong under suspension and vice versa. A 10% increase/decrease in the EV/EBITDA multiple holding all other variables constant would increase/decrease the carrying amount of the equity instrument at FVTOCI listed in Hong Kong under suspension by nil (31 December 2020: HK\$580,000).

A decrease in the P/S multiple used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI listed in Hong Kong under suspension and vice versa. A 10% increase/decrease in the P/S multiple holding all other variables constant would increase/decrease the carrying amount of the equity instrument at FVTOCI listed in Hong Kong under suspension by nil (31 December 2020: HK\$898,000).

An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI listed in Hong Kong under suspension and vice versa. A 10% increase/decrease in the discount for lack of marketability holding all other variables constant would decrease/increase the carrying amount of the equity instrument at FVTOCI listed in Hong Kong under suspension by nil (31 December 2020: HK\$449,000).

d. A decrease in the P/E multiple used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI for unlisted investment and vice versa. A 10% increase/decrease in the P/E multiple holding all other variables constant would increase/decrease the carrying amount of the equity instrument at FVTOCI for unlisted investment by nil (31 December 2020: HK\$3,548,000/HK\$3,587,000).

An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI for unlisted investment and vice versa. A 10% increase/decrease in the discount for lack of marketability holding all other variables constant would decrease/increase the carrying amount of the equity instrument at FVTOCI for unlisted investment by nil (31 December 2020: HK\$694,000/HK\$656,000).

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

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

Notes: (Continued)

- e. An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI for unlisted investment and vice versa. A 10% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the equity instrument at FVTOCI for unlisted investment by HK\$2,032,000/HK\$2,006,000 (31 December 2020: HK\$2,846,000/HK\$3,619,000).

An increase in the terminal growth rate used in isolation would result in an increase in the fair value measurement of the equity instrument at FVTOCI for unlisted investment and vice versa. A 10% increase/decrease in the terminal growth rate holding all other variables constant would increase/decrease the carrying amount of the equity instrument at FVTOCI for unlisted investment by HK\$227,000/HK\$218,000 (31 December 2020: HK\$335,000/HK\$322,000).

- f. An increase in the P/B multiple used in isolation would result in an increase in the fair value measurement of the equity instrument at FVTOCI for unlisted investment and vice versa. A 10% increase/decrease in the P/B multiple holding all other variables constant would increase/decrease the carrying amount of the equity instrument at FVTOCI for unlisted investment by HK\$4,932,000/HK\$4,932,000 (31 December 2020: nil).

An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI for unlisted investment and vice versa. A 10% increase/decrease in the discount for lack of marketability holding all other variables constant would decrease/increase the carrying amount of the equity instrument at FVTOCI for unlisted investment by HK\$1,386,000/HK\$1,386,000 (31 December 2020: nil).

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

During the Period, except for the equity instrument at FVTOCI listed in Hong Kong under suspension mentioned in note (i)(a), there was no transfer between Level 1 and Level 2 and no transfer into or out of Level 3 fair value measurement.

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Overview

For the Period, the total revenue of the Group was approximately HK\$214,491,000, representing an increase of approximately 208.8% as compared to that for the corresponding period in 2020. The increase in revenue was mainly attributable to the increase in the sales of the Group's major product under the second generation of Cephalosporins (二代頭孢產品) ("Product") (1.0g).

In the first half of 2021, given that the spread of Covid-19 has been under control in the PRC, the PRC macro-economy has been recovering. On the other hand, the relaxation of the restrictions on population movement across the cities in the PRC has led to an increase in the number of people seeking medical services and hospitals' services. As a result, the demand for the pharmaceutical products has increased during the Period. Meanwhile, through proactively organising and participating in various academic promotion activities in the PRC during the Period, the sales of the Group's Product (1.0g) has been gradually increasing since the resumption of the production and sale of the Product (1.0g) in September 2019.

The Group recorded a net profit for the Period primarily due to (i) the increase in the gross profit due to the increase in the sales of the Group's Product (1.0g); and (ii) the absence of impairment losses in respect of the Group's interest in Saike International for the Period, while there was an impairment loss of the Group's interest in Saike International of approximately HK\$22,235,000 for the six months ended 30 June 2020.

### 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 2021 and 2020 respectively.

		Revenue contributed by each business segment for the six months ended 30 June			
		2021 (Unaudited)		2020 (Unaudited)	
		HK\$'000	%	HK\$'000	%
(1)	Distribution and trading of pharmaceutical products	211,682	98.7	67,615	97.3
(2)	Provision of marketing and promotion services	2,809	1.3	1,855	2.7
Total		214,491	100.0	69,470	100.0

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

This segment generated a revenue of approximately HK\$211,682,000 for the Period (six months ended 30 June 2020: approximately HK\$67,615,000), representing an increase of approximately 213.1% as compared to that for the corresponding period in 2020. The increase in revenue was primarily attributable to the increase in the sales of the Group's Product (1.0g). Given that the spread of Covid-19 has been under control in the PRC, the relaxation of the restrictions on population movement across the cities in the PRC has led to an increase in the number of people seeking medical services and hospitals' services. As a result, the demand for the pharmaceutical products has increased during the Period. Meanwhile, through proactively organising and participating in various academic promotion activities in the PRC during the Period, the sales of the Group's Product (1.0g) has been gradually increasing since the resumption of the production and sale of the Product (1.0g) in September 2019.

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

This segment generated a revenue of approximately HK\$2,809,000 for the Period (six months ended 30 June 2020: approximately HK\$1,855,000) representing an increase of approximately 51.4% as compared to that for the corresponding period in 2020. 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 increase in revenue of the Group generated from this segment for the Period was mainly due to the increase in the sales of the pharmaceutical products under the Group's provision of marketing and promotion services.

## **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 and fifth batches were completed in February 2021 and June 2021 respectively. The fourth batch of the volume-based procurement involved 45 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 52% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 96% as compared to its original bidding price. The fifth batch of the volume-based procurement involved 62 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 56% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 98% as compared to its original bidding price.

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 2021, 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 core 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. The Group may consider the possibility of disposing of the business or assets in respect of its non-core business currently held by the Group in the coming future.

## **Financial review**

### **Revenue**

The total revenue for the Period was approximately HK\$214,491,000, representing an increase of approximately 208.8% from approximately HK\$69,470,000 for the six months ended 30 June 2020. The increase in revenue from the distribution and trading of pharmaceutical products was primarily attributable to the increase in the sales of the Group's Product (1.0g). In the first half of 2021, given that the spread of Covid-19 has been under control in the PRC, the PRC macro-economy has been recovering. On the other hand, the relaxation of the restrictions on population movement across the cities in the PRC has led to an increase in the number of people seeking medical services and hospitals' services. As a result, the demand for the pharmaceutical products has increased during the Period. Meanwhile, through proactively organising and participating in various academic promotion activities in the PRC during the Period, the sales of the Group's Product (1.0g) has been gradually increasing since the resumption of the production and sale of the Product (1.0g) in September 2019.

### **Cost of sales**

The cost of sales for the Period was approximately HK\$194,388,000, representing an increase of approximately 201.1% from approximately HK\$64,567,000 for the six months ended 30 June 2020. The increase in cost of sales was mainly due to the increase in sales volume of the Product (1.0g) during the Period.

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

Gross profit increased by approximately HK\$15,200,000, or approximately 310.0%, from approximately HK\$4,903,000 for the six months ended 30 June 2020 to approximately HK\$20,103,000 for the Period mainly attributable to the increase in sales volume of the Product (1.0g) during the Period. The Group's gross profit margin for the Period was approximately 9.4%, which has increased by 2.3 percentage points when compared to the corresponding period in 2020.

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

The net other losses for the Period were approximately HK\$578,000 (six months ended 30 June 2020: approximately HK\$1,512,000). The decrease in net other losses was primarily attributable to the net exchange gains of approximately HK\$1,774,000 recorded for the Period (six months ended 30 June 2020: net exchange losses of approximately HK\$2,556,000), despite that the decrease in net other losses was partially offset by the loss on partial disposal of interest in Saike International of approximately HK\$1,420,000 (six months ended 30 June 2020: nil) and loss on deemed disposal of interest in Saike International of approximately HK\$1,566,000 (six months ended 30 June 2020: nil).

### **Selling and distribution expenses**

Selling and distribution expenses for the Period were approximately HK\$7,437,000, representing an increase of approximately 53.5% from approximately HK\$4,845,000 for the six months ended 30 June 2020. The increase in selling and distribution expenses was primarily attributable to the increase in the marketing service fee and delivery expenses in line with the increase in sales volume of the Product (1.0g).

### **Administrative expenses**

Administrative expenses for the Period were approximately HK\$10,196,000, representing a decrease of approximately 3.1% from approximately HK\$10,526,000 for the six months ended 30 June 2020. Such decrease was mainly due to the decrease in salary expenses under the implementation of the Group's cost control measures during the Period.

### **Share of profit of associates**

Share of profit of associates was approximately HK\$1,110,000 for the Period which was contributed by Saike International, representing an increase of approximately 127.5% from approximately HK\$488,000 for the six months ended 30 June 2020. The increase in share of profit of associates was mainly due to the improvement in the financial performance of Saike International during the period from 1 January 2021 to 28 February 2021. On 1 March 2020, Major Bright, a wholly-owned subsidiary of the Company, entered into a shareholders' agreement with the other shareholders of Saike International, namely, Ms. Zhao Lei and Wing Yin. The Group lost significant influence over Saike International as the Group had no power to appoint any director to the board of directors of Saike International under the shareholders' agreement. Since then and as at 30 June 2021, Saike International ceased to be an associate of the Group and the Group's interest in Saike International was classified as an equity instrument at FVTOCI.

### **Income tax credit**

Income tax credit for the Period was zero (six months ended 30 June 2020: nil). The Group had no taxable profit for tax provision.

### **Profit for the Period**

Profit for the Period was approximately HK1,133,000, as compared to a loss of approximately HK\$36,434,000 for the corresponding period in 2020.

The Group recorded a net profit for the Period primarily due to (i) the increase in the gross profit due to the increase in the sales of the Group's Product (1.0g); and (ii) the absence of impairment losses in respect of the Group's interest in Saike International for the Period, while there was an impairment loss of the Group's interest in Saike International of approximately HK\$22,235,000 for the six months ended 30 June 2020.

### **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 2021, the Group had net cash and cash equivalents amounting to approximately HK\$68,671,000 (31 December 2020: approximately HK\$65,755,000), among which approximately 51% (31 December 2020: approximately 65%) were denominated in Hong Kong dollars and approximately 49% (31 December 2020: approximately 35%) were denominated in Renminbi. The Group did not have any bank loan as at 30 June 2021 and 31 December 2020. The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2021 (31 December 2020: zero).

## **Contingent liabilities**

As at 30 June 2021, the Group had no material contingent liabilities.

## **Material investments, acquisitions and disposals**

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

On 30 November 2020, Major Bright as vendor, Wing Yin as purchaser and 青島松山醫藥銷售有限公司 (in English, for identification purpose only, Qingdao Songshan Medicine Sales Co., Ltd.) as guarantor of the purchaser entered into a sale and purchase agreement (“Disposal Agreement”) in relation to the disposal of 25 ordinary shares of Saike International (“Saike Sale Shares”), representing 25% of the issued share capital of Saike International. Major Bright conditionally agreed to sell, and Wing Yin conditionally agreed to purchase, the Saike Sale Shares at a maximum consideration of RMB44,000,000 (equivalent to approximately HK\$51.8 million) (subject to adjustment).

As at the date of the Disposal Agreement, Major Bright held 50% of the issued share capital of Saike International. The disposal was approved by the shareholders of the Company at a special general meeting held on 8 February 2021. All the conditions precedent set out in the Disposal Agreement were fulfilled and completion of the disposal took place on 10 February 2021. Immediately after completion of the disposal, the Group held 25% of the issued share capital of Saike International.

The final amount of the consideration for the disposal is subject to adjustment (“Shortfall Compensation”) if the unaudited consolidated net asset value of Saike International as at 31 December 2020 (“2020 Actual NAV”) as shown in the unaudited consolidated management accounts of Saike International for the financial year ended 31 December 2020 (“FY2020 Management Accounts”) is less than RMB100,000,000 (“2020 Target NAV”).

Based on the FY2020 Management Accounts, the 2020 Actual NAV is approximately RMB101.2 million, which is higher than the 2020 Target NAV. In accordance with the Disposal Agreement, no Shortfall Compensation shall be paid by the Group to Wing Yin.

On 1 March 2021, Major Bright entered into a shareholders’ agreement with the other shareholders of Saike International, namely, Ms. Zhao Lei and Wing Yin. The Group lost significant influence over Saike International as the Group had no power to appoint any director to the board of directors of Saike International under the shareholders’ agreement. Since then and as at 30 June 2021, Saike International ceased to be an associate of the Group and the Group’s interest in Saike International was classified as an equity instrument at FVTOCI.

Details of the disposal are disclosed in the Company’s announcements dated 30 November 2020, 18 December 2020, 8 February 2021, 10 February 2021 and 31 March 2021 and the Company’s circular dated 21 January 2021.

### ***Disposal of approximately 7.87% of the issued share capital of WinHealth International***

On 20 April 2021 (after trading hours), Major Bright as vendor, and WinHealth International as purchaser entered into the original share repurchase agreement (“Original Share Repurchase Agreement”), pursuant to which Major Bright has conditionally agreed to sell, and WinHealth International has conditionally agreed to purchase, 162,806 ordinary shares of WinHealth International (“WinHealth Sale Shares”) at the consideration of RMB68,000,000 (equivalent to approximately HK\$80.9 million) (“WinHealth Disposal”). The WinHealth Sale Shares represented approximately 8.11% of the issued share capital of WinHealth International as at the date of the Original Share Repurchase Agreement.

On 30 July 2021, Major Bright and WinHealth International entered into a supplemental agreement (together with the Original Share Repurchase Agreement, referred to as the “Share Repurchase Agreement”) to extend the long stop date for the satisfaction of the conditions precedent to the Original Share Repurchase Agreement from 16 August 2021 to 16 September 2021 (or such other date as Major Bright and WinHealth International may agree in writing).

As informed by WinHealth International on 4 August 2021, subsequent to the signing of the Original Share Repurchase Agreement on 20 April 2021, WinHealth International allotted and issued new shares to one of its existing shareholders. Based on the representations of WinHealth International, immediately after the allotment and issue of the new shares, the shareholding of Major Bright in WinHealth International was diluted from approximately 8.11% to approximately 7.87%. As at 30 June 2021, Major Bright was beneficially interested in approximately 7.87% of the issued share capital of WinHealth International.

A special general meeting of the Company convened for the WinHealth Disposal will be held on 2 September 2021 to approve, among others, the Share Repurchase Agreement and the transactions contemplated thereunder. As at 30 June 2021 and the date of this interim report, completion of the WinHealth Disposal has not taken place.

For further details of the WinHealth Disposal, please refer to the announcements of the Company dated 20 April 2021, 30 July 2021 and 5 August 2021 and the circular of the Company dated 12 August 2021.

Except for the above, the Group did not make any material investments, acquisitions or disposals during the Period.

### **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 2021, the Group pledged the buildings and right-of-use assets with an aggregate carrying amount of approximately HK\$9,481,000 (31 December 2020: approximately HK\$9,479,000) to secure general banking facilities granted to the Group.

## **Equity instruments at FVTOCI**

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

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

As at 30 June 2021, the Group's securities investment in the shares of 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\$58.2 million and an investment amount of approximately HK\$144.0 million. As at 30 June 2021, the fair value of the Group's investment in Town Health accounted for approximately 8.8% of the Group's total assets. The Group recognised a fair value gain on its investment in the TH Shares of approximately HK\$21.9 million for the Period. No dividend income was received from Town Health for the Period.

On 27 November 2017, the SFC had, pursuant to Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571V, the Laws of Hong Kong), directed the Stock Exchange to suspend trading in the TH Shares with effect from 9:00 a.m. on 27 November 2017 as it appeared to the SFC that, among other things, Town Health's interim report for the six months ended 30 June 2016 published on 7 September 2016 and Town Health's annual report for the year ended 31 December 2016 published on 27 April 2017 included materially false, incomplete or misleading information. The trading of the shares in Town Health on the Stock Exchange was permitted to recommence with effect with 9:00 a.m. on 1 March 2021 on the Stock Exchange subject to the conditions imposed by the SFC.

As at 30 June 2021 and the date of this interim report, the Group held 120,000,000 TH Shares, representing approximately 1.59% 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 in the PRC, the provision of hospital management services and related services and the provision of miscellaneous healthcare related services and leasing of properties. Based on the interim results announcement of Town Health for the six months ended 30 June 2021, as there are signs that the pandemic is contained in Hong Kong, the economic recovery is expected to be much stronger in the second half of 2021. Town Health will continue to closely monitor the pandemic, adapt to market trends and adjust the business strategy in time, and follow the four development strategies, namely, improving service quality, expanding service scope, improving operational efficiency and strengthening collaboration with China Life Insurance (Group) Company and its subsidiaries, so as to ensure that it will achieve progress while maintaining stability in adverse circumstances. Town Health will also continue to fulfill the social responsibility as a healthcare enterprise, offer reliable support to the government and citizens, staying together with citizens to win the fight against the pandemic and repaying the public for their long-term trust and support to Town Health.

As at 30 June 2021, the Group's securities investment listed in Hong Kong (other than the TH Shares) had a fair value of approximately HK\$2.6 million.

During the Period, the Group did not dispose of any equity securities listed in Hong Kong. Besides, due to an increase in the fair value of certain listed securities investments, a fair value gain (inclusive of the fair value gain on the TH Shares) of approximately HK\$22.4 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.

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

***Saike International***

As at 30 June 2021, the Group held 25 ordinary shares, representing 25% equity interest in Saike International, with an investment amount of approximately RMB47.5 million (equivalent to approximately HK\$59.3 million) and a fair value of approximately RMB41.0 million (equivalent to approximately HK\$49.3 million). As at 30 June 2021, the fair value of the Group's investment in Saike International accounted for approximately 7.5% of the Group's total assets. A fair value loss on the Group's investment in Saike International of approximately HK\$2.6 million has been recognised in other comprehensive expense for the Period. No dividend income was received from Saike International for the Period.

Saike International and its subsidiaries (collectively, the "Saike International Group") are principally engaged in the trading of medical devices, medical equipment and medical consumables in the PRC. Based on the latest unaudited consolidated financial statements of Saike International for the Period, it recorded an unaudited consolidated profit of approximately RMB2.0 million. The aging population, urbanisation, increase in chronic diseases and household income in the PRC will drive the demand for medical treatments and use of medical devices and consumables, which are favourable to the continuing development of the business of Saike International in the long term. The centralised volume-based procurement program for certain high-value medical commodities launched by the Chinese government in 2020 may offer market share expansion opportunities for domestic distributors, but bring significant margin pressure on the medical commodities covered under the program. This may cause uncertainty on the profitability of the medical devices industry in the PRC and the management of the Group cannot rule out the possibility that such procurement program will be extended to cover the products traded by the Saike International Group in the future. If the procurement program is extended to cover the products traded by the Saike International Group in the future, it is expected that the profit margin of the Saike International Group may be adversely affected.

***WinHealth International***

As at 30 June 2021, the Group held 162,806 ordinary shares, representing approximately 7.87% equity interest in WinHealth International, with an investment amount of approximately RMB47.25 million (equivalent to approximately HK\$53.4 million) and a fair value of approximately RMB67.2 million (equivalent to approximately HK\$80.8 million). As at 30 June 2021, the fair value of the Group's investment in WinHealth International accounted for approximately 12.2% of the Group's total assets. A fair value gain on the Group's investment in WinHealth International of approximately HK\$6.3 million has been recognised in other comprehensive income for the Period. No dividend income was received from WinHealth International for the Period.

WinHealth International and its subsidiaries (collectively, the “WinHealth International Group”) are principally engaged in the distribution of pharmaceutical products in the PRC and have an extensive distribution network through possessing distribution rights of various imported prescription drugs in the PRC. Based on the latest unaudited consolidated financial statements of WinHealth International for the Period, it recorded an unaudited consolidated profit of approximately RMB15.3 million. The aging population, urbanisation, increase in chronic diseases and household income, and wider coverage of medical insurance in the PRC will drive the demand for medical treatments and use of drug, which are favourable to the continuing development of the business of WinHealth International in the long term. Meanwhile, the 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 officially initiated in 11 cities in the PRC in 2018 and the expansion of the volume-based procurement nationwide since 2019. 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 Winhealth International Group into a challenging position and will affect the profitability of these companies in the future.

On 20 April 2021, Major Bright, a wholly-owned subsidiary of the Company, as vendor, and WinHealth International as purchaser entered into the Original Share Repurchase Agreement for the disposal of approximately 7.87% equity interest in WinHealth International at the consideration of RMB68,000,000 (equivalent to approximately HK\$80.9 million). As at the date of this interim report, completion of the disposal has not taken place. Please refer to the section headed “Major investments, acquisitions and disposals – Disposal of approximately 7.87% of the issued share capital of WinHealth International” above for further details of the disposal.

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

As at 30 June 2021, the Group held approximately 14% equity interest in HCMPs (formerly known as C&C International Healthcare Group Limited) with a fair value of approximately HK\$17.9 million. A fair value loss on the Group’s investment in HCMPs of approximately HK\$8.7 million has been recognised in other comprehensive expense for the Period. No dividend income was received from HCMPs for the Period. HCMPs and its subsidiaries are principally engaged in the provision of contracted medical schemes and medical services.

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

The Group may consider the possibility of disposing of the business or assets in respect of its non-core business currently held by the Group in the coming future.

### **Employee information**

As at 30 June 2021, the Group had 28 employees (31 December 2020: 29). Staff costs, including Directors’ emolument for the Period, amounted to approximately HK\$3,858,000 (six months ended 30 June 2020: approximately HK\$4,210,000). 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 which expose the Group to foreign currency risk. To mitigate the foreign currency risk, the Group continually assesses and monitors the exposure of the exchange rate fluctuations. During the Period, the Directors did not consider it necessary to adopt a foreign currency hedging policy as the potential impact on the profit or loss of the Group due to the exchange rate fluctuations was immaterial.

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

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

The Company is also seeking legal advice to address and resolve the SFC's concerns with the aim of resuming trading in the shares of the Company. The Company intends to make further submission to the SFC in relation to its application for resumption of trading of the shares of the Company. However, the Company is not in a position to disclose the details due to its statutory secrecy obligations under the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO"). In view of the circumstances, the Company is not in a position to formulate any practicable resumption plan with a clear timeframe at this stage. The Company will continue to seek legal advice with a view to resuming trading of the shares of the Company as soon as practicable.

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

For further details, please refer to the announcements of the Company dated 6 October 2017, 12 January 2018, 25 May 2018, 4 June 2018, 30 July 2018, 1 August 2018, 1 November 2018, 1 February 2019, 2 May 2019, 2 August 2019, 1 November 2019, 8 January 2020, 31 January 2020, 29 April 2020 and 31 July 2020, 30 October 2020, 29 January 2021, 30 April 2021 and 30 July 2021. The Company will keep the shareholders of the Company and potential investors informed of any material developments by way of further announcement(s) as and when appropriate.

### **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 Company's announcements dated 9 December 2016, 26 January 2017, 27 January 2017 and 3 March 2017, the circular of the Company dated 10 January 2017 and the prospectus of the Company dated 10 February 2017.

The actual use of the net proceeds from the Rights Issue as at 30 June 2021 was as follows:

### **Intended use of proceeds**

### **Actual use of proceeds as at 30 June 2021**

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

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

## Intended use of proceeds

- (6) approximately HK\$8.0 million for improving marketing, sales and promotional capabilities
- (7) approximately HK\$50.0 million for the acquisition of the equity interests (in part or in full) of pharmaceutical companies which are principally engaged in overseas pharmaceutical business in the PRC apart from the acquisition of 12% of the issued share capital of WinHealth International ("Relevant Proceeds") (Note c)

## Actual use of proceeds as at 30 June 2021

- approximately HK\$8.0 million has been utilised for improving marketing, sales and promotional capabilities
- approximately HK\$10.4 million has been utilised for the partial settlement of the consideration for the acquisition of 15% of the issued share capital of WinHealth International as described above

During the Period, the Company did not use any net proceeds from the Rights Issue. As at 30 June 2021, the total unutilised proceeds were approximately HK\$39.6 million. The unutilised proceeds were from the Relevant Proceeds which shall be used for the acquisition of the equity interests (in part or in full) of pharmaceutical companies which are principally engaged in overseas pharmaceutical business in the PRC apart from the acquisition of 12% of the issued share capital of WinHealth International. Due to the instability of the economy and the impact of the Covid-19 pandemic, the Company took a cautious approach in scouting suitable business or investments opportunities in the past. As at the date of this interim report, the Company was still on the lookout of appropriate acquisition and investment opportunities or targets. The Company will continue to try its best endeavour to identify suitable investment. Based on the best estimation of the present and future business market conditions in the PRC and the business prospect of the Group, it is expected that the unutilised proceeds for the intended purpose will be fully used by December 2022. The remaining unutilised proceeds from the Rights Issue will be used as intended. Currently, the Company placed such unutilised proceeds as short term interest-bearing deposits in a licensed bank in Hong Kong.

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 Company's announcement 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 Company's announcement 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 2021, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company 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 Listed Issuers ("Model Code").

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

As at 30 June 2021, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Position</b>	<b>Approximate percentage of the total issued shares</b> (Note 1)
Eagle Amber Holdings Limited (Note 2)	Beneficial owner	426,672,000	Long	25.52%
Zhang Jiang (Note 2)	Interest of a controlled corporation	426,672,000	Long	25.52%
Dai Xiaosong (Note 2)	Interest of a controlled corporation	426,672,000	Long	25.52%
Qian Shenglei	Beneficial owner	193,704,000	Long	11.59%

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

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Position</b>	<b>Approximate percentage of the total issued shares</b> (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%
China Wah Yan Healthcare Limited ("China Wah Yan") (Note 4)	Beneficial owner and interest of controlled corporations	137,427,840	Long	8.22%
Junyue International Corporation (Notes 5 and 6)	Interest of controlled corporations	103,070,880	Long	6.17%
Tan Sainuo (Note 6)	Interest of a controlled corporation	103,070,880	Long	6.17%

- Note 1: The total number of 1,671,846,657 shares of the Company in issue as at 30 June 2021 has been used for the calculation of the approximate percentage.
- Note 2: Eagle Amber Holdings Limited is beneficially owned by Zhang Jiang and Dai Xiaosong as to 35.0% and 35.0% respectively. As such, Zhang Jiang and Dai Xiaosong were deemed to be interested in the 426,672,000 shares of the Company held by Eagle Amber Holdings Limited under Part XV of the SFO.
- Note 3: Mr. Zhou Ling beneficially owns 132,188,952 shares of the Company. Ms. Yang Fang beneficially owns 29,211,048 shares of the Company. Mr. Zhou Ling is the spouse of Ms. Yang Fang. Accordingly, Mr. Zhou Ling was deemed to be interested in all the 29,211,048 shares of the Company held by Ms. Yang Fang by virtue of the SFO and Ms. Yang Fang was deemed to be interested in all the 132,188,952 shares of the Company held by Mr. Zhou Ling under Part XV of the SFO.
- Note 4: Based on the corporate substantial shareholder notice dated 20 December 2019 filed by China Wah Yan, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 648), 34,356,960 shares of the Company were held by China Wah Yan, 21,070,880 shares of the Company were held by Classic Estate Investments Limited, which was wholly owned by China Wah Yan, and 82,000,000 shares of the Company was held by Ultimate Paramount International Limited, which was 50% owned by Classic Estate Investments Limited. Accordingly, China Wah Yan was deemed to be interested in all the 103,070,880 shares of the Company held by Classic Estate Investments Limited and Ultimate Paramount International Limited under Part XV of the SFO. Based on the corporate substantial shareholder notice dated 20 December 2019 filed by China Wah Yan, the relevant event leading to the filing of the notice is a disposal of residual value in the interest of the relevant shares, subject to the release and/or subsisting share charge over the relevant shares.
- Note 5: Based on the corporate substantial shareholder notice dated 20 December 2019 filed by Junyue International Corporation, 21,070,880 shares of the Company were held by Classic Estate Investments Limited, which was wholly owned by Junyue International Corporation, and 82,000,000 shares of the Company was held by Ultimate Paramount International Limited, which was 50% owned by Classic Estate Investments Limited. Accordingly, Junyue International Corporation was deemed to be interested in all the 103,070,880 shares of the Company held by Classic Estate Investments Limited and Ultimate Paramount International Limited under Part XV of the SFO. Based on the corporate substantial shareholder notice dated 20 December 2019 filed by Junyue International Corporation, the relevant event leading to the filing of the notice is an acquisition of certain economic benefits arising from and in connection with Classic Estate Investments Limited.
- Note 6: Junyue International Corporation is beneficially wholly owned by Tan Sainuo. As such, Tan Sainuo was deemed to be interested in the 103,070,880 shares of the Company in which Junyue International Corporation was interested under Part XV of the SFO.

Save as disclosed above, as at 30 June 2021, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### **Share option scheme**

The Company adopted a share option scheme ("Scheme") on 25 October 2013 to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to eligible persons and for such other purposes as the Board may approve from time to time. The Scheme is implemented in compliance with the requirements of Chapter 17 of the Listing Rules. No share option was granted, exercised, lapsed or cancelled under the Scheme during the Period. There was no outstanding share option under the Scheme as at 30 June 2021.

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

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.

## **Change of directors**

On 30 April 2021, Mr. Liu Yang (“Mr. Liu”) tendered his resignation as an executive Director and the chairman of the Board (“Chairman”) which took effect on 15 May 2021 as he planned to devote more attention and time to his own business engagement. Upon his resignation which became effective on 15 May 2021, Mr. Liu also ceased to be (i) the chairman of the corporate governance committee (“Corporate Governance Committee”) of the Board; (ii) a member of the remuneration committee and the nomination committee of the Board; and (iii) an authorised representative of the Company (“Authorised Representative”) for the purpose of Rule 3.05 of the Listing Rules on the same day.

Following Mr. Liu’s resignation, Ms. Wang Qiuqin, an executive Director and the chief executive officer of the Company (“Chief Executive Officer”), was appointed as the Chairman, the chairman of the Corporate Governance Committee and an Authorised Representative in place of Mr. Liu with effect from 15 May 2021. For further details, please refer to the announcement of the Company dated 30 April 2021.

Mr. Chu Xueping was appointed as an executive Director at the annual general meeting of the Company with effect from 18 June 2021. For further details, please refer to the announcement of the Company dated 18 June 2021 and the circular of the Company dated 17 May 2021.

## **Changes in information of the directors**

Mr. Sy Lai Yin, Sunny was appointed as an independent non-executive director, a member of the remuneration committee and a member and the chairman of the audit committee of the board of directors of Chen Lin Education Group Holdings Limited (stock code: 1593) with effect from 7 July 2021.

## **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”).

Following Mr. Liu’s resignation with effect from 15 May 2021, Ms. Wang Qiuqin, an executive Director and the Chief Executive Officer, was also appointed as the Chairman.

As Ms. Wang Qiuqin is performing both the roles of the Chairman and the Chief Executive Officer, this constitutes a deviation from Code Provision A.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 enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

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

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

### **Litigation**

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

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

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

In the Petition, the SFC applies for, *inter alia*, an order that the 1st Respondent do pay to the Company the sum of HK\$26 million with interest thereon at such rate and for such period as the Court thinks fit.

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

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

As at 30 June 2021 and the date of this interim 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 interim report.

On behalf of the Board

**New Ray Medicine International Holding Limited**

**Wang Qiuqin**

*Chairman & Executive Director*

Hong Kong, 31 August 2021