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New Ray Medicine
新銳醫藥

New Ray Medicine International Holding Limited

新銳醫藥國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 6108)

DISCLOSEABLE TRANSACTION – COOPERATION AGREEMENT AND ESTABLISHMENT OF THE TARGET COMPANY

THE COOPERATION AGREEMENT

The Board is pleased to announce that on 11 July 2022 (after trading hours), China New Rich, an indirect wholly-owned subsidiary of the Company, Partner A and Partner B entered into the Cooperation Agreement in respect of, among others, the capital contribution and operation and management of the affairs of the Target Company.

The purpose of the Target Company is to engage in the Project which involves the investment and construction of a healthcare industrial park in Shengzhou, Zhejiang Province, the PRC. The Project includes the acquisition of the land use right of the Project Land by public tender and the construction, development and operation of the related facilities and buildings thereon. The Group's investment in the Target Company shall be recognised as a financial asset at fair value through profit or loss of the Company and its financial results will not be consolidated with those of the Company.

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

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

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the initial capital contribution and the shareholder's loan committed by China New Rich under the Cooperation Agreement is more than 5% but is less than 25%, the transactions contemplated under the Cooperation Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to notification and announcement requirement under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 11 July 2022 (after trading hours), China New Rich, an indirect wholly-owned subsidiary of the Company, Partner A and Partner B entered into the Cooperation Agreement in respect of, among others, the capital contribution and operation and management of the affairs of the Target Company.

Set out below is the summary of the principal terms of the Cooperation Agreement:

THE COOPERATION AGREEMENT

Date

11 July 2022

Parties

- (1) Partner A, an Independent Third Party;
- (2) China New Rich, an indirect wholly-owned subsidiary of the Company; and
- (3) Partner B, an Independent Third Party.

Business scope of the Target Company

The purpose of the Target Company is to engage in the Project which involves the investment and construction of a healthcare industrial park in Shengzhou, Zhejiang Province, the PRC. The Project includes the acquisition of the land use right of the Project Land by public tender and the construction, development and operation of the related facilities and buildings thereon.

After the signing of the Cooperation Agreement, Partner A shall take the lead and China New Rich and Partner B shall cooperate in the application to the Administration for Market Regulation of Zhejiang Province for the establishment of the Target Company.

Initial registered capital and capital contribution

The initial registered capital of the Target Company is RMB50 million (equivalent to approximately HK\$58.8 million) and the capital contribution to the initial registered capital of the Target Company by each of the Parties is as follows:

	Capital contribution	% of equity interest in the Target Company
Partner A	RMB20 million (approximately HK\$23.5 million)	40%
China New Rich	RMB19.5 million (approximately HK\$22.9 million)	39%
Partner B	RMB10.5 million (approximately HK\$12.4 million)	21%

After the Target Company wins the bid of the Project Land through public tender, the capital contribution shall be made to the Target Company not later than three (3) working days prior to the prescribed time limit for the first land payment. As at the date of this announcement, neither Partner A, China New Rich nor Partner B has made any capital contribution to the initial registered capital of the Target Company.

The amount of capital contribution by each Party was arrived at after arm's length negotiations between the Parties with reference to, among others, the projected capital requirement of the Target Company for the acquisition of the Project Land.

The capital contribution to be provided by China New Rich will be funded by the internal resources of the Group.

Shareholder's Loans

In addition to the capital contribution of the initial registered capital of the Target Company, Partner A, China New Rich and Partner B will grant shareholder's loans to the Target Company as initial working capital of approximately RMB4.8 million (equivalent to approximately HK\$5.6 million), approximately RMB4.68 million (equivalent to approximately HK\$5.5 million) and approximately RMB2.52 million (equivalent to approximately HK\$3.0 million) respectively which will be on a pro rata basis in accordance with their respective shareholdings in the Target Company. The aforesaid shareholder's loans shall be provided by each Party at least one (1) working day in advance according to the land grant contract and notice from relevant government departments and after the issue of payment notice by the Target Company. All shareholder's loans provided by the Parties shall bear an interest rate of 6% per annum.

The shareholder's loans provided by the Parties, including the respective amounts and interest rate, was arrived at after arm's length negotiations between the Parties with reference to, among others, the projected capital requirement of the Target Company for the acquisition of the Project Land and the historical loan prime rate promulgated by the People's Bank of China.

The shareholder's loan to be provided by China New Rich will be funded by the internal resources of the Group.

In the event the Group is required to provide other financial assistance to the Target Company in the future which will constitute a notifiable transaction of the Company under the Listing Rules, the Company will comply with the applicable requirements under the Listing Rules as and when appropriate.

Board composition and supervisors

The board of directors of the Target Company shall comprise three directors, one of whom shall be appointed by Partner A and the remaining two shall be appointed by the Partner B. Each of Partner A and Partner B shall appoint one supervisor of the Target Company.

Management of the Target Company

The management and operation of the Target Company would be undertaken by Partner A and the Target Company would adopt the existing management structure and standards of Partner A.

Partner A shall charge 1% of the total investment amount of the Target Company as system support fee. The total investment amount and specific payment method shall be determined by the Parties after the establishment of the Target Company.

Information on the Project Land

The Project Land is a parcel of land located in Shengzhou, Zhejiang Province, the PRC with site area of approximately 100,000 sq.m.. The Project Land is for industrial use.

Accounting treatment of the Group's investment in the Target Company

The Group's investment in the Target Company shall be recognised as a financial asset at fair value through profit or loss of the Company and its financial results will not be consolidated with those of the Company.

INFORMATION ON THE PARTIES TO THE COOPERATION AGREEMENT

China New Rich and the Group

China New Rich is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. China New Rich is principally engaged in investment holding and trading of pharmaceutical products.

The Group is principally engaged in the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in the PRC.

Partner A

Partner A is a company established in the PRC and principally engaged in the business of electrical cables, polymer materials, new energy, medical equipment manufacturing, communication electronics, real estate development and financial investment. Partner A is ultimately owned as to 95% by 何若虛(He Ruo Xu), a merchant.

Partner B

Partner B is an individual namely 楊鷹 (Yang Ying), a merchant, who engaged in the development of industrial and commercial park and the provision of management services and enterprise management services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Partner A and its ultimate beneficial owner(s) and Partner B is an Independent Third Party.

REASONS FOR AND BENEFITS OF ESTABLISHMENT OF THE TARGET COMPANY

As disclosed in the annual report of the Company for the year ended 31 December 2021, the Group intends to focus on its businesses of the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in respect of pharmaceutical products in the PRC through its resources to the future development of the core businesses and will continue to seek potential merger and acquisition opportunities to bring higher return to the Shareholders.

In the course of carrying out the Group's principal business, the management of the Group witnessed the rise of a new era for the healthcare industry, especially under the value of "Internet + Healthcare" in China's 14th Five-Year Plan together with the promulgation of new healthcare-related policies and regulations released by relevant authorities in the PRC. In particular, the State Council outlined the vision and defined the goal for digital economy development through the official release of the "14th Five-Year Plan for Digital Economy Development" at the start of 2022 which reiterated the value of "Internet + Healthcare" for the digital economy and also made clear requirements for the digitalisation of the traditional medical and health services industry.

In response to the promulgation of the national policies, the Group sees the potential in the development of new healthcare industrial parks in the PRC which introduces advanced industrial construction philosophy to fully satisfy the needs of the government and market users with the focus being placed on new modes of business operations such as setting up corporate headquarters and healthcare industrial parks.

The management of the Group considered that the establishment of the Target Company undertaking the Project presents a good opportunity for the Group to utilise its available funds for a return and to expand investment portfolio with quality assets and to broaden the Group's strategic cooperation opportunities with other stakeholders in the PRC healthcare industry. The Project will be held by the Group as a long-term investment.

The Directors considered that the establishment of the Target Company and the terms of the Cooperation Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the initial capital contribution and the shareholder's loan committed by China New Rich under the Cooperation Agreement is more than 5% but is less than 25%, the transactions contemplated under the Cooperation Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to notification and announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“China New Rich”	China New Rich Medicine Holding Co. Limited (中國新銳醫藥控股有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	New Ray Medicine International Holding Limited (新銳醫藥國際控股有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6108)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Cooperation Agreement”	the cooperation development agreement dated 11 July 2022 entered into by and among Partner A, China New Rich and Partner B governing, among others, the capital contribution and operation and management of the affairs of the Target Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party independent of the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	collectively, Partner A, China New Rich and Partner B and each a “Party”
“Partner A”	浙江萬馬產業發展集團有限公司 (Zhejiang Wanma Industrial Development Group Co., Ltd.*), a company established in the PRC with limited liability
“Partner B”	楊鷹 (Yang Ying), a merchant
“PRC”	The People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Project”	the project proposed to be undertaken by the Target Company, as more particularly described in the section headed “THE COOPERATION AGREEMENT – Business scope of the Target Company” of this announcement
“Project Land”	a parcel of land located in Shengzhou, Zhejiang Province, the PRC with site area of approximately 100,000 sq.m.
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company

“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	a company with limited liability to be established in the PRC to be held as to 40% by Partner A, 39% by China New Rich and 21% by Partner B
“%”	per cent

In this announcement, amounts quoted in RMB has been converted into HK\$ at the rate of RMB0.85 to HK\$1. Such exchange rate has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at such rate or any other rates or at all.

The English translation of a Chinese name which is marked with “” has been provided for identification purpose only.*

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

Hong Kong, 11 July 2022

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