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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)

RESULTS OF INTERNAL CONTROL FOLLOW-UP REVIEW

This announcement is made by New Ray Medicine International Holding Limited (“**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (“**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 21 March 2022 in relation to, among other matters, the resumption of trading in shares of the Company (“**Announcement**”). Unless defined otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

RESULTS OF INTERNAL CONTROL FOLLOW-UP REVIEW

As disclosed in the Announcement, the Company engaged BT Corporate Governance Limited (“**Independent Consultant**”) to conduct a review of the Group’s internal control system (“**Internal Control Review**”) with an observation period from 1 January 2015 to 31 May 2020, and with focus on: (a) investments in companies; (b) conflict of interest; (c) management of the Company (including assessment of whether directors and staff in positions of senior management have the appropriate qualifications and experience to manage the Company); (d) corporate governance; (e) business transactions; and (f) risk assessment.

Subsequent to the Internal Control Review, the Company instructed the Independent Consultant to perform a follow-up review of the Group’s internal control system on the implementation status of the recommendations set out in the IC Report with an observation period of 1 January 2021 to 31 January 2022 (“**IC Follow-up Review**”). The IC Follow-up Review has been completed and a report (“**IC Follow-up Report**”) has been issued and submitted to the Company and the SFC.

Set forth below are the relevant aspects for which internal control deficiencies were identified in the IC Report, the corresponding recommendations to the Company made by the Independent Consultant and the results of the IC Follow-up Review as noted in the IC Follow-up Report:

	Relevant aspects for which internal control deficiencies were identified in the IC Report	Recommendations	Results of the IC Follow-up Review
<i>(a) Investments in companies</i>			
(1)	The internal policies and procedures for investments in companies (both listed and non-listed)	It is recommended that the Company should: <ul style="list-style-type: none"> – enhance the existing policy regarding investments in listed companies by including the procedures of how an acquisition should be considered and determined; and 	The Group has implemented the recommendations of the Independent Consultant. Policies and procedures enhanced by the Company have been properly circulated to the Board, management and staff for implementation of the procedures.
(2)	How the consideration for an acquisition is to be determined	<ul style="list-style-type: none"> – maintain proper records and reports as for all investments together with the relevant supporting documents. 	The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in respect of the existing policy and procedures. As per the walkthrough documents, it is shown that the Company has controls in place for investments in listed companies, and the approval of the acquisition is mentioned in the board minutes. In addition, the Company performed analysis and developed the expected buy-in price, with an investment report prepared accordingly.

	Relevant aspects for which internal control deficiencies were identified in the IC Report	Recommendations	Results of the IC Follow-up Review
	How the consideration for an acquisition is to be determined (cont'd)	<p>It is recommended that the Company should:</p> <ul style="list-style-type: none"> – enhance the existing policy for investments in non-listed companies (acquisition amount lower than RMB10 million) by including the procedures of how the consideration is to be determined; and – maintain proper records and all investment reports together with the relevant supporting documents. 	<p>The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in regard to the existing policy and procedures.</p> <p>Since there is no sample of acquisition of non-listed company during the observation period, no walkthrough document is obtained.</p>
(3)	What factors will be considered by the management	<p>It is recommended that the Company should:</p> <ul style="list-style-type: none"> – enhance the existing policy regarding investments in listed companies by including the procedures of preparing an investment report which should be attached with the relevant supporting documents for the consideration by the Board during the investment approval process; and – maintain proper records and the investment reports together with all supporting documents. 	<p>The Group has implemented the recommendations of the Independent Consultant. As per the walkthrough documents, it is shown that the Company has controls in place for the investments in listed companies, and the approval of the acquisition is mentioned in the board minutes. In addition, the Company performed analysis and developed the expected buy-in price, with an investment report prepared accordingly.</p> <p>Since there is no sample of acquisition of non-listed company during the observation period, no walkthrough document is obtained.</p>

	Relevant aspects for which internal control deficiencies were identified in the IC Report	Recommendations	Results of the IC Follow-up Review
(4)	What steps the management will take to assess the reasonableness of the bases and assumptions adopted	<p>It is recommended that the Company should:</p> <ul style="list-style-type: none"> – enhance the existing policy for investments in listed companies by including the procedures of the steps that the management will take to assess the reasonableness of the bases and assumptions adopted; – enhance the existing policy for investments in non-listed companies (with acquisition amount lower than RMB10 million) by including the procedures of what steps the management will take to assess the reasonableness of consideration of an acquisition; and – maintain proper records and investment reports together with all supporting documents. 	<p>The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in respect of the existing policy and procedures.</p> <p>As per the walkthrough documents, it is shown that the Company has controls in place, the Investment Committee members have re-assessed the rationale, bases and assumptions adopted as shown in the investment report before the investment approval is made.</p> <p>Since there is no sample of acquisition of non-listed company during the observation period, no walkthrough document is obtained.</p>

	Relevant aspects for which internal control deficiencies were identified in the IC Report	Recommendations	Results of the IC Follow-up Review
(5)	Whether and how the management will verify any financial information provided by the vendors	<p>It is recommended that the Company should:</p> <ul style="list-style-type: none"> – enhance the existing policy for investments in listed companies by including the procedures of how the management collects/ obtains and verifies the financial information provided by the vendors; and – enhance the existing policy for investments in non-listed companies (with acquisition amount lower than RMB10 million) by including the procedures of how the management verifies the financial information provided by the vendors. 	<p>The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in respect of the existing policy and procedures.</p> <p>By reference to the walkthrough documents (including the audited annual report of the target listed company), it is shown that the Company has controls in place with no exception noted.</p> <p>Since there is no sample of acquisition of non-listed company during the observation period, no walkthrough document is obtained.</p>

	Relevant aspects for which internal control deficiencies were identified in the IC Report	Recommendations	Results of the IC Follow-up Review
(b) Conflict of interest			
(1)	The internal policies and procedures for dealing with issues of conflict of interest, in particular, whether the Company's Directors are allowed to provide personal loans to third parties who have business dealings with the Company	It is recommended that the Company should: <ul style="list-style-type: none"> – enhance the policy by stating that Directors are not allowed to provide personal loans to third parties who have business dealings with the Company; 	The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in respect of the existing policy and procedures. As confirmed by management, there is no personal loan provided by the Company's Directors to third parties who have business dealings with the Company during the observation period. Also, there is no personal loan received by the Company's Directors from third parties who have business dealings with the Company during the observation period.
(2)	Whether there are any procedures and controls in place governing the issues of conflict of interest	– enhance the policy by stating the procedures and controls to govern the situation where the Chairman has conflict of interest;	
(3)	Whether there are procedures in place when the Chairman has a conflict of interest	– enhance the policy by stating that declarations of interest should be signed by the Chairman, Directors and management annually; and – set up the policy of regulatory compliance for ensuring compliance with the SFO and the Listing Rules.	As per the walkthrough documents, it is noted that declarations of interest are signed by the Chairman and Directors quarterly.

	Relevant aspects for which internal control deficiencies were identified in the IC Report	Recommendations	Results of the IC Follow-up Review
(c) Management of the Company			
(1)	To review and assess whether each of the current Directors (both executive and independent non-executive) and staff in positions of senior management, have the appropriate qualifications and experience to manage the Company	<p>It is recommended that the Company should:</p> <ul style="list-style-type: none"> – enhance the policy by stating how the company reviews and assesses the qualifications and experience of Directors and senior management, when appointing Directors and senior management; and – maintain records of the assessments performed regarding qualifications and experience of the Directors and senior management so appointed. 	<p>The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in respect of the existing policy and procedures.</p> <p>Supporting documents including, but not limited to, new directors or senior management evaluation forms, academic/ professional certificates and reference letters of Directors and senior management staff (including all the existing Executive Directors; Independent Non-Executive Directors; the Company Secretary and the Financial Controller) were obtained for review and assessment, and it is shown that the relevant personnel have the appropriate qualifications and experience to manage the Company.</p>

	Relevant aspects for which internal control deficiencies were identified in the IC Report	Recommendations	Results of the IC Follow-up Review
(d) Corporate governance			
(1)	The requirements with regard to qualifications and experience of Directors (both executive and independent non-executive)	It is recommended that the Company should enhance the policy by stating the requirements with regard to the qualifications and experience required for the Directors.	The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in regard to the existing policy and procedures.
(2)	The procedures for the appointment of consultants and advisors, including the appointment of former director to such roles	It is recommended that the Company should enhance the policy by stating the procedures of appointment of consultants and advisors, the role of consultants and advisors, the participation of consultants and advisors in the management and control of the Company, and the attendance of consultants and advisors at management meeting and board meetings.	The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in regard to the existing policy and procedures. Consultants or advisors did not participate in the management of the Company during the observation period. The roles of the consultants or advisors are to provide assistance to the Company according to the Company's requirements. There was no consultant or advisor being appointed by the Company during the observation period.
(3)	The role of consultants and advisors including their participation in the management and control of the Company, and attendance at management meetings and board meetings		
(4)	The procedures and systems in place for compliance with the SFO and the Listing Rules	It is recommended that the Company should set up the policy of regulatory compliance management in order to ensure that its compliance with the SFO and the Listing Rules.	The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in respect of the existing policy and procedures.

	Relevant aspects for which internal control deficiencies were identified in the IC Report	Recommendations	Results of the IC Follow-up Review
(e) Business transactions			
(1)	The internal policies and procedures governing the entering into of transactions involving material amounts, including documentation of any assessment and evaluation	It is recommended that the Company should: <ul style="list-style-type: none"> – enhance the policy by stating the decision-making and approval procedures regarding the entering into of transactions involving material amounts (other than regular purchases); 	The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in respect of the existing policy and procedures.
(2)	The internal policies and procedures governing the entering into of transactions involving material amounts, including decision making and approval	<ul style="list-style-type: none"> – enhance the policy by including the checks and balances over management’s authority regarding the entering into of transactions involving material amounts (other than regular purchases); and 	As per the walkthrough documents, it is shown that controls are in place, while the supporting documents for entering into the transactions by the Company involving material amounts are obtained and reviewed with no exception noted.
(3)	Checks and balances over management’s authority		
(4)	Monitoring and reporting of performance	<ul style="list-style-type: none"> – enhance the policy by stating whoever is responsible for keeping the cheques and maintaining the cheque register. 	

	Relevant aspects for which internal control deficiencies were identified in the IC Report	Recommendations	Results of the IC Follow-up Review
<i>(f) Risk assessment</i>			
(1)	The internal policy and procedures for risk assessment and management	It is recommended that the Company should enhance the existing risk assessment and management policy by elaborating the responsibilities of the Board, the Audit Committee and the risk owners in regard to the risk assessment and management process.	The Group has implemented the recommendations of the Independent Consultant. No weakness/deficiency is noted in regard to the existing policy and procedures. As per the walkthrough documents, it is shown that the controls are in place, and risk assessment report and corresponding board minutes for the management reviews of the risk assessment reports are obtained and reviewed with no exception noted.
(2)	The internal policy and procedures for the detection, prevention and reporting of theft, fraud and other dishonest acts, and the ongoing monitoring of risks and operating environment		

Please refer to the Announcement for further details in relation to the internal control deficiencies identified by the Independent Consultant during the Internal Control Review and the recommendations made in the IC Report.

VIEWS OF THE INDEPENDENT CONSULTANT

Based on the IC Follow-up Review, the Independent Consultant is of the view that the Group has implemented the recommendations made by the Independent Consultant in the IC Report and no further deficiencies and/or weaknesses are identified during the IC Follow-up Review. The Independent Consultant is not aware of any material deficiencies and/or irregularities during the course of the IC Follow-up Review. The Group has established internal control system to manage and monitor the process of investments in companies, conflict of interest, corporate governance, business transactions and risk assessment.

FULFILMENT OF RESUMPTION CONDITIONS

With reference to the third Resumption Condition set out in the Announcement, the Company has fulfilled the third Resumption Condition by publishing this announcement regarding the results of the IC Follow-up Review. Having consulted with the SFC, the Company is satisfied that all the Resumption Conditions imposed by the SFC for its permission to resume the trading of the Shares in the Company on the Stock Exchange have been fulfilled.

Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 September 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.