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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

2023 FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$50.2 million for the year ended 31 December 2023 (2022: approximately HK\$89.8 million), representing a decrease of approximately 44.1% as compared to 2022.
- The Group's gross profit was approximately HK\$12.9 million for the year ended 31 December 2023 (2022: approximately HK\$13.2 million), representing a decrease of approximately 2.3% as compared to 2022.
- Net loss attributable to owners of the Company was approximately HK\$22.2 million for the year ended 31 December 2023 (2022: loss of approximately HK\$77.9 million), representing a decrease of approximately 71.5% as compared to 2022.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).
- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 31 December 2023 (2022: zero).

The board (the “**Board**”) of directors (the “**Directors**”) of New Ray Medicine International Holding Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Year**”) together with the comparative figures for the year ended 31 December 2022 (“**FY 2022**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	50,154	89,771
Cost of sales		(37,213)	(76,523)
		12,941	13,248
Other income, gains and losses, net	5	(1,310)	(6,694)
Selling and distribution expenses		(14,067)	(19,244)
Administrative expenses		(14,629)	(20,363)
Finance costs		(32)	(177)
Impairment loss on trade and other receivables		(4,067)	(4,624)
Impairment loss on inventories		(1,601)	(42,432)
Fair value gain on financial asset at fair value through profit or loss		423	–
Loss before taxation		(22,342)	(80,286)
Income tax credit	6	172	2,339
Loss for the year attributable to owners of the Company	7	(22,170)	(77,947)
Other comprehensive income (expense) for the year			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of functional currency to presentation currency – Subsidiaries		(2,656)	(24,507)
Fair value loss on equity instruments at fair value through other comprehensive income		(20,578)	(14,854)
Other comprehensive expense for the year		(23,234)	(39,361)
Total comprehensive expense for the year attributable to owners of the Company		(45,404)	(117,308)
Loss per share	9		
Basic and diluted (<i>HK cents</i>)		(1.33)	(4.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		12,016	15,300
Right-of-use assets		17,403	19,075
Prepayment for a distribution right		2,856	6,835
Intangible asset		–	4,627
Club debenture		–	560
Equity instruments at fair value through other comprehensive income		43,067	64,115
Financial asset at fair value through profit or loss		36,608	25,470
Other prepayment	10	1,457	–
		113,407	135,982
Current assets			
Inventories		31,167	35,230
Trade and other receivables	10	240,219	210,642
Prepayment for a distribution right		2,856	3,582
Bank balances and cash		103,954	154,413
		378,196	403,867
Current liabilities			
Trade and other payables	11	5,267	6,862
Lease liabilities		288	985
		5,555	7,847
Net current assets		372,641	396,020
Total assets less current liabilities		486,048	532,002
Non-current liabilities			
Lease liabilities		–	293
Deferred tax liabilities		5,795	6,052
		5,795	6,345
		480,253	525,657
Capital and reserves			
Share capital	12	83,592	83,592
Share premium and reserves		396,661	442,065
Equity attributable to owners of the Company		480,253	525,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

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 were 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 principal subsidiaries are principally engaged in the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in the People’s Republic of China (the “**PRC**”).

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to **HKFRSs** that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to **HKFRSs** issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to **HKFRSs** in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to **HKAS 1** and **HKFRS Practice Statement 2** Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. **HKAS 1** Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Cont’d)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in note 3 to the consolidated financial statements in annual report.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

Disaggregation of revenue from contracts with customers by segments is as follows:

Revenue represents the aggregate of the net amounts received and receivable, recognised at a point in time basis, for the year. An analysis of the Group's revenue for the year is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Distribution and trading of pharmaceutical products	42,852	83,754
Provision of marketing and promotion services	7,302	6,017
	50,154	89,771

The Group recognises the marketing and promotion fee from its customers at the time when the ultimate users placed orders to the Group's customers and it is highly probable that a significant reversal in the cumulative revenue recognised will not occur, this is also the time when the services were completed and the Group has the enforceable right for payment.

4. 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 and the management has organised the Group on the basis of these two types of business activities. Information reported to the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purposes of resources allocation and assessment of segment performance focuses on types of business activities.

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

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

Segment profit represents the gross profit attributable to each segment after deducting impairment loss on trade and other receivables attributable to each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

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

4. SEGMENT INFORMATION (Cont'd)

Year ended 31 December 2023

	Distribution and trading of pharmaceutical products <i>HK\$'000</i>	Provision of marketing and promotion services <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE			
External sales and segment revenue (<i>note</i>)	<u>42,852</u>	<u>7,302</u>	<u>50,154</u>
RESULT			
Segment profit	<u>1,529</u>	<u>5,744</u>	7,273
Other income, gains and losses, net			(1,310)
Selling and distribution expenses			(14,067)
Administrative expenses			(14,629)
Finance cost			(32)
Fair value gain on financial asset at fair value through profit or loss (“FVTPL”)			<u>423</u>
Loss before taxation			<u>(22,342)</u>
Included in arriving at segment profit			
Impairment loss on trade and other receivables	(2,863)	(1,204)	(4,067)
Impairment loss on inventories	<u>(1,601)</u>	<u>-</u>	<u>(1,601)</u>

Note:

The Group commenced the business of providing agency service of chemical reagents during the Year. The Group is considered as an agent for its contracts with customers relating to the provision of agency service of chemical reagents as the Group did not obtain control over chemical reagents before passing on to customers taking into consideration indicators such as the Group not being primarily responsible for fulfilling certain obligations and not being exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognises revenue relating to agency service of chemical reagents of approximately HK\$2.7 million during the Year.

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

4. SEGMENT INFORMATION (Cont'd)

Year ended 31 December 2022 (re-presented)

	Distribution and trading of pharmaceutical products <i>HK\$'000</i>	Provision of marketing and promotion services <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE			
External sales and segment revenue	83,754	6,017	89,771
RESULT			
Segment (loss) profit	(41,789)	7,981	(33,808)
Other income, gains and losses, net			(6,694)
Selling and distribution expenses			(19,244)
Administrative expenses			(20,363)
Finance cost			(177)
Loss before taxation			(80,286)
Included in arriving at segment (loss) profit			
(Impairment loss) reversal of impairment on trade and other receivables	(7,044)	2,420	(4,624)
Impairment loss on inventories	(42,432)	–	(42,432)

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

Geographical information

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

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A ¹	N/A ²	15,993
Customer B ¹	15,125	21,818
Customer C ¹	11,454	9,240

¹ The revenue was derived from the distribution and trading of pharmaceutical products.

² The customer did not contribute over 10% of the total revenue of the Group in the corresponding year.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Incentives received from government grants (<i>note</i>)	–	123
Bank interest income	2,968	2,655
Interest income from promissory note	–	237
Penalty	(568)	–
Others	(510)	65
Dividend income from equity instruments at fair value through other comprehensive income (“ FVTOCI ”)	716	478
Net exchange loss	(570)	(10,630)
Gain on disposal of property, plant and equipment	482	378
Impairment loss on intangible asset	(2,795)	–
Impairment loss on prepayments for a distribution right	(1,033)	–
	<u>(1,310)</u>	<u>(6,694)</u>

Note: During the year ended 31 December 2022, the Group was granted incentives of RMB44,000 (equivalent to approximately HK\$51,000) by local government in Hangzhou, the PRC for the purpose of enhancing the development of the Group, the conditions of which had been fulfilled. The government subsidy of HK\$72,000 was granted by the Government of the Hong Kong Special Administrative Region for the 2022 Employment Support Scheme in response to the Covid-19 pandemic. The incentives were recognised in profit or loss immediately as all conditions attached to the incentives had been fulfilled.

6. INCOME TAX CREDIT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax (“ EIT ”)	–	–
Under-provision in prior year:		
Hong Kong profits tax	–	–
	<u>–</u>	<u>–</u>
Deferred tax	172	2,339
	<u>172</u>	<u>2,339</u>

Under the Laws of the PRC on Enterprise Income Tax (the “**EIT Laws**”) and Implementation Regulations of the EIT Laws, the tax rate of the PRC subsidiaries was 25% for the years ended 31 December 2023 and 2022.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Group is not subject to any income tax in those jurisdictions.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

7. LOSS FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments, including contributions to retirement benefits scheme and equity-settled share-based payment expenses	3,080	5,053
Other staff's salaries, bonus and other benefits	4,490	12,903
Contributions to retirement benefits scheme, excluding directors	493	404
Total staff costs	<u>8,063</u>	<u>18,360</u>
Depreciation of property, plant and equipment	3,017	3,081
Depreciation of right-of-use assets	1,415	1,481
Amortisation of prepayment for a distribution right	3,557	3,741
Amortisation of intangible asset	1,778	1,870
Auditor's remuneration	1,500	1,450
Legal and professional fees (included in administrative expenses)	2,883	1,478
Donations	278	292
Gain on disposal of property, plant and equipment	(482)	(378)
Impairment loss on trade and other receivables	4,067	4,624
Impairment loss on inventories	1,601	42,432
Fair value gain on financial assets at FVTPL	(423)	–
Equity-settled share-based payment expenses	–	10,393
Cost of inventories recognised as an expense (excluded impairment loss on inventories)	<u>36,859</u>	<u>76,067</u>

8. DIVIDENDS

No dividend was paid or proposed for holders of ordinary shares of the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(22,170)</u>	<u>(77,947)</u>
Number of ordinary shares		
	2023 '000	2022 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>1,671,847</u>	<u>1,671,847</u>

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in decrease in loss per share for the year ended 31 December 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	94,399	70,688
Less: allowance for credit loss	<u>(39,347)</u>	<u>(36,689)</u>
Trade receivables (net of allowance for credit loss)	55,052	33,999
Other prepayments	3,087	650
Other deposits	144	375
Prepayments to a supplier	43,477	40,522
Deposits paid to suppliers (net of allowance for credit loss)	133,783	114,686
Value-added tax recoverable	5,831	4,038
Promissory note from disposal of equity instrument at FVTOCI (<i>note</i>)	–	15,948
Others	<u>302</u>	<u>424</u>
	<u>241,676</u>	<u>210,642</u>
Current portion	240,219	–
Non-current portion	<u>1,457</u>	<u>210,642</u>
	<u>241,676</u>	<u>210,642</u>

Note:

In respect of the consideration of RMB44,000,000 (equivalent of HK\$53,816,000) for disposal of the remaining 25% equity shares of Saike International, RMB30,000,000 (equivalent to HK\$33,584,000) was settled in 2022, and the remaining RMB14,000,000 (equivalent to HK\$15,948,000) was settled by the issue of a promissory note bearing interest at a rate of 4% per annum due on 14 November 2023. The amount of RMB14,000,000 was fully settled on 28 February 2023.

10. TRADE AND OTHER RECEIVABLES (Cont'd)

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 period.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables:		
0–30 days	26,740	3,296
31–60 days	427	4,574
61–90 days	62	1,578
91–180 days	2,094	9,794
181–365 days	6,772	14,757
Over 365 days	18,957	–
	<u>55,052</u>	<u>33,999</u>

Prepayments and deposits paid to suppliers represent the prepayments and deposits paid to its suppliers as a condition of acquiring the distribution rights of specific products and as security for purchase of products. The Group was required to make prepayments and 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 deposits required vary on a case by case basis. The deposits paid will be refunded upon expiry of contracts.

11. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables (<i>note</i>)	342	–
Deposits received from customers	872	884
Contract liabilities	50	999
Accruals	4,003	4,979
	<u>5,267</u>	<u>6,862</u>

Note:

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date or issue date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables:		
0–30 days	<u>342</u>	<u>–</u>

The trade payables are non-interest-bearing. The trade payables are normally settled on terms of 180 days upon receipt of suppliers' invoices.

12. SHARE CAPITAL OF THE COMPANY

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

	Number of shares '000	Amount HK\$'000
Ordinary shares		
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	3,000,000	150,000
Issued and full paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,671,847	83,592

All ordinary shares issued during the years ended 31 December 2023 and 2022 rank *pari passu* with the then existing ordinary shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Chinese government has implemented a series of policies to reform its healthcare system, such as the volume-based procurement (帶量採購), which was officially initiated in 11 cities in the PRC in 2018, and the expansion of the volume-based procurement nationwide since 2019. The first, second and third batches of the national volume-based procurement were successfully implemented during the years 2019 to 2020. The fourth, fifth, sixth, seventh, eighth and ninth batches were completed in February 2021, June 2021, November 2021, July 2022, March 2023 and November 2023, respectively. The Group expects that the drug pricing pressure and loss of market share will continue, which may result in further loss of sales and drop in the average profit margin of the Group's products.

Facing the market challenges, the Group has been actively tightening the cooperation with suppliers and end customers (e.g. hospitals) to improve our sales and marketing capabilities and make efforts to expand its distribution network in the PRC so as to minimise the impact of unfavourable external factors on the Group.

For the Year, the total revenue of the Group was approximately HK\$50.2 million, representing a decrease of approximately 44.1% as compared to 2022. The decrease in revenue was mainly attributable to the continuously adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China. As a result, the demand for the Group's major product under the second generation of Cephalosporins (二代頭孢產品) (1.0g) (“**Product**”) declined during the Year.

During the Year, the Group recorded a net loss of approximately HK\$22.2 million for the Year (2022: loss of approximately HK\$77.9 million), representing a decrease of approximately 71.5% as compared to 2022. The decrease was primarily due to (i) the absence of equity-settled share-based payment expenses. Such expenses for FY 2022 amounted to approximately HK\$10.4 million which was recognised as a result of the grant of share options by the Group to the Directors and employees during 2022 and the Group did not record such expenses for the Year; (ii) the impairment loss on inventories of approximately HK\$1.6 million due to the slow-moving inventories that were close to their expiry date as compared to the impairment loss on inventories of approximately HK\$42.4 million for FY 2022; and (iii) the decrease in net exchange loss of approximately HK\$0.6 million recorded for the Year (2022: approximately HK\$10.6 million).

FUTURE PROSPECTS

(i) Industry Outlook

The PRC pharmaceutical industry is facing many challenges as a result of the release of a series of policies by the Chinese government to reform its healthcare system, such as the volume-based procurement (帶量採購), which was officially initiated in 11 cities in the PRC in 2018, and the expansion of the volume-based procurement nationwide since 2019. The first, second and third batches of the national volume-based procurement were successfully implemented during the years 2019 to 2020. The fourth, fifth, sixth, seventh, eighth and ninth batches were completed in February 2021, June 2021, November 2021, July 2022, March 2023 and November 2023, respectively. The fourth batch of the volume-based procurement involved 45 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 52% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 96% as compared to its original bidding price. The fifth batch of the volume-based procurement involved 62 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 56% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 98% as compared to its original bidding price. The sixth batch of the volume-based procurement involved 42 varieties of insulin products, and the average price of the shortlisted varieties was reduced by approximately 49% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 74% as compared to its original bidding price. The seventh batch of the volume-based procurement involved 60 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 48% as compared to the average original bidding prices. The eighth batch of the volume-based procurement (“**8th Batch**”) was completed in March 2023. The 8th Batch involved 39 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 56% as compared to the average original bidding prices.

The ninth batch of the volume-based procurement (“**9th Batch**”) was completed in November 2023. The 9th Batch involved 41 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 58% as compared to the average original bidding prices.

It is expected that the national volume-based procurement will continue in the future, and the scope of drugs under such procurement scheme will become wider and the downward pressure of the price of drugs is anticipated. The above-mentioned policies may put the pharmaceutical distribution and trading enterprises in the PRC, including the Group, in a challenging position and may affect the profitability of these companies in the future.

(ii) Growth Strategies

(a) *Continue to diversify the existing product portfolio*

The Group intends to seek to acquire distribution rights of new products to enhance its product portfolio. Looking ahead to 2024, the Group will continue to enhance its product portfolio, distribution channels, marketing, and promotion strategy in order to achieve a better and sustainable long-term development.

(b) *Continue to enhance and expand the sales and marketing capabilities*

In order to strengthen its competitive advantages over its competitors in the PRC, the Group will continue to enhance its local distribution network and sales and marketing capabilities. In addition, the Group has been exploring different opportunities to enhance its distribution capabilities.

(c) *Focus on long term growth*

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 by reallocating its resources to the future development of these businesses. Besides, the Group will continue to seek potential merger and acquisition opportunities to bring higher return for its shareholders.

BUSINESS REVIEW

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 will continue to participate in the distribution of the prescription drug market in the PRC with its unremitting efforts in business development.

The table below sets out the revenue and gross profit margin of the Group (by segment) for the Year and the year ended 31 December 2022 respectively.

	Revenue contributed from each business segment				Gross profit margin	
	2022		2023		2022	2023
	HK\$'000	%	HK\$'000	%	%	%
(1) <i>Distribution and trading of pharmaceutical products</i>	83,754	93.3	42,852	85.4	9.2	14.0
(2) <i>Provision of marketing and promotion services</i>	6,017	6.7	7,302	14.6	N/A	N/A
Total	<u>89,771</u>	<u>100</u>	<u>50,154</u>	<u>100.0</u>		

(1) Distribution and Trading of Pharmaceutical Products

This segment generated revenue of approximately HK\$42.9 million for the Year (2022: approximately HK\$83.8 million), representing a decrease of approximately 48.8% as compared to 2022. The decrease in revenue in this segment was primarily attributable to the continuously adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China. As a result, the demand for the Product has declined during the Year.

(2) Provision of Marketing and Promotion Services

This segment generated revenue of approximately HK\$7.3 million for the Year (2022: approximately HK\$6.0 million), representing an increase of approximately 21.7% as compared to 2022. Under the implementation of the “Two-Invoice” System (兩票制) in the PRC since 2017, the Group has started to develop its business of the provision of marketing and promotion services in respect of pharmaceutical products in the PRC. The Group’s marketing and promotion model involves formulating marketing and promotion strategies and conducting academic promotion programs of the Group’s products in return for service income from the suppliers. The revenue generated by this segment increased for the Year as compared to that for the year ended 31 December 2022.

FINANCIAL REVIEW

Revenue

The total revenue for the Year was approximately HK\$50.2 million, representing a decrease of approximately 44.1% from approximately HK\$89.8 million for the year ended 31 December 2022. The decrease in revenue was primarily attributable to the continuously adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China. As a result, the demand for the Product has declined during the Year.

Cost of Sales

The cost of sales for the Year was approximately HK\$37.2 million, representing a decrease of approximately 51.4% from approximately HK\$76.5 million for the year ended 31 December 2022. The decrease in cost of sales was in line with the decrease in sales volume of the Product and partially offset by the decrease in the purchase cost of the Product during the Year.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately HK\$0.3 million, or approximately 2.3%, from approximately HK\$13.2 million for the year ended 31 December 2022 to approximately HK\$12.9 million for the Year. The decrease in gross profit of the Group for the Year was mainly attributable to the decrease in sales volume of the Product when compared to 2022 and partially offset by the decrease in the purchase cost of the Product. The Group's gross profit margin for the Year was approximately 25.8%, which has increased by 11.0 percentage points when compared to 2022.

Other Income, Gains and Losses, Net

The net other losses for the Year were approximately HK\$1.3 million (2022: loss of approximately HK\$6.7 million). Such decrease was primarily attributable to the decrease in net exchange loss of approximately HK\$0.6 million recorded for the Year (2022: approximately HK\$10.6 million) and partially offset by the increase in impairment loss on intangible asset and prepayments for a distribution right of approximately HK\$2.8 million (2022: nil) and HK\$1.0 million (2022: nil) respectively.

Selling and Distribution Expenses

Selling and distribution expenses for the Year were approximately HK\$14.1 million, representing a decrease of 26.6% from approximately HK\$19.2 million for the year ended 31 December 2022. The decrease in selling and distribution expenses was primarily attributable to the absence of recognition of the equity-settled share-based payment expenses of approximately HK\$3.1 million for the grant of share options by the Group to the Directors and employees in June 2022 and the decrease in the marketing service fee and delivery expenses in line with the decrease in sales volume of the Product.

Administrative Expenses

Administrative expenses for the Year were approximately HK\$14.6 million, representing a decrease of approximately 28.4% from approximately HK\$20.4 million for the year ended 31 December 2022. Such decrease was mainly due to the absence of recognition of the equity-settled share-based payment expenses of approximately HK\$7.3 million for the grant of share options by the Group to the Directors and employees in June 2022.

Impairment Loss on Trade and Other Receivables

The Group has provided for impairment loss on trade and other receivables of approximately HK\$4.1 million (2022: impairment loss of HK\$4.6 million) during the Year based on the provision matrix.

Impairment Loss on Inventories

The Group has provided for impairment losses on inventories of approximately HK\$1.6 million (2022: approximately HK\$42.4 million) in respect of the slow-moving inventories which were close to their expiry date.

Impairment Loss on Intangible Asset and Prepayment for a Distribution Right

The Group has provided for impairment losses on intangible asset and prepayment for a distribution right of approximately HK\$2.8 million (2022: nil) and HK\$1.0 million (2022: nil) respectively in respect of the decrease of the value based on the management's assessment.

Income Tax Credit

Income tax credit for the Year was approximately HK\$0.2 million (2022: approximately HK\$2.3 million). The decrease in income tax credit was primarily due to the decrease in deferred tax of approximately HK\$0.2 million for the Year.

Loss for the Year

Loss for the Year was approximately HK\$22.2 million, representing a decrease of approximately 71.5% from approximately HK\$77.9 million for the year ended 31 December 2022.

The Group recorded a decrease in net loss for the Year of approximately 71.5% as compared to 2022 primarily due to (i) the absence of equity-settled share-based payment expenses. Such expenses for FY 2022 amounted to approximately HK\$10.4 million which was recognised as a result of the grant of share options by the Group to the Directors and employees during 2022 and the Group did not record such expenses for the Year; (ii) the recognition of impairment loss on inventories of approximately HK\$1.6 million due to the slow-moving inventories that were close to their expiry date for the Year as compared to the impairment loss on inventories of approximately HK\$42.4 million for FY 2022; and (iii) the decrease in net exchange loss of approximately HK\$0.6 million recorded for the Year (2022: approximately HK\$10.6 million).

Equity Instruments at Fair Value through Other Comprehensive income

The Group's equity instruments at fair value through other comprehensive income ("FVTOCI") comprise equity instruments at FVTOCI listed in Hong Kong which have been determined based on the quoted market prices available on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

As at 31 December 2023, the Group's securities investment in the shares ("TH Shares") of Town Health International Medical Group Limited ("Town Health") (a company whose shares being listed on the Main Board of the Stock Exchange with stock code: 3886) had a fair value of approximately HK\$38.2 million and an investment amount of approximately HK\$142.0 million. As at 31 December 2023, the fair value of the Group's investment in Town Health accounted for approximately 7.8% of the Group's total assets. The Group recognised a fair value loss of approximately HK\$6.5 million on its investment in the TH Shares for the Year. The Group received dividend income from Town Health of approximately HK\$141,000 for the Year (2022: approximately HK\$176,000). During the Year, the Group did not dispose of any of its holding in TH Shares.

As at 31 December 2023 and the date of this announcement, the Group held 117,602,000 TH Shares, representing approximately 1.74% of the total issued share capital of Town Health. Town Health and its subsidiaries are principally engaged in the provision of medical and dental services in Hong Kong, managing healthcare networks and the provision of third party medical network administrator services in Hong Kong, the provision of medical and dental services in the PRC, the provision of hospital management services and related services, and leasing properties. According to the announcement of interim results of Town Health for the six months ended 30 June 2023, in the second half of 2023, it is expected that local demand and inbound tourism will continue to be the main growth drivers for the economy of Hong Kong.

With the re-opening of our border, the economic situation and prospects of Hong Kong will continue to improve. The government's new and more welcoming talent importation policy to increase the local workforce and the launch of its various public-private medical partnership programmes, should boost the long-term demand for healthcare services in Hong Kong.

The distribution of consumption vouchers by the government and a series of “Happy Hong Kong” activities should also provide additional support for the local utilisation of optional healthcare services. In keeping with advanced economies, Hong Kong can provide more holistic care integrating Chinese and western medicine, which may have enhancing effects in the treatment of certain cancer treatment. Services provided by private medical institutions in Hong Kong are becoming increasingly popular among medical tourists who demand high quality medical services, including consultation and treatment by renowned specialists, health screening and the use of various new treatment, vaccines and advanced medical equipment. Meanwhile, it is Mainland China’s policy to promote public health and high-quality healthcare service through collaboration with Hong Kong service providers. With the implementation of various policies to help Hong Kong integrate with other cities in the Greater Bay Area in health service provision. Private medical institutions in Hong Kong are encouraged to develop healthcare services in the Greater Bay Area. All these favourable factors will bring huge opportunities for Town Health to develop cross-border medical services and medical tourism. As an industry leader with a strong professional medical team and abundant high quality medical resources, Town Health will adapt to changes in the economic situation and the development trend of the medical industry and adjust its business strategy in a timely manner for continuous business development. In the future, Town Health will further integrate existing medical resources and build a comprehensive cross-border medical and healthcare service ecosystem to satisfy customers’ various demands from the perspectives of prevention, diagnosis, outpatient, hospitalization, rehabilitation, nursing, and drug delivery. Town Health is committed to building a world-class medical group rooted in Hong Kong and based in the Greater Bay Area which serves the whole country and connects with the world in its outlook, striving to continuously create greater value for customers and shareholders. During the Pandemic, Town Health cooperated and worked closely with the government in carrying out a series of anti-epidemic works, and thereby earned mutual trust with the government and the public. Town Health will support the government’s primary healthcare development strategy, and in the future, it will proactively participate in the government’s various public-private medical partnership programmes to provide citizens with high-quality primary healthcare including chronic disease management, dental health care, etc. Town Health has worked with other major medical peers to establish an association representing private medical practices, to advocate a win-win strategy for the public and our industry.

As at 31 December 2023, the Group’s securities investment listed in Hong Kong (other than the TH Shares) had a fair value of approximately HK\$4.8 million. During the Year, the Group acquired certain equity securities listed in Hong Kong amounting to approximately HK\$2.4 million. The Group disposed of certain equity securities listed in Hong Kong with the sale proceeds of approximately HK\$3.4 million and an increase in fair value from the disposal of approximately HK\$1.9 million was recorded in other comprehensive income of the Group during the Year. Due to a decrease in the fair value of certain listed securities investments, a fair value loss (inclusive of the fair value loss on the TH Shares) of approximately HK\$5.9 million was recognised under the FVTOCI (non-recycling reserve) during the Year. The Group will continue to monitor its investments cautiously in view of recent uncertain market conditions.

Liquidity, Financial Resources and Capital Structure

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, various reserves and retained profits.

During the Year, the long-term funding and working capital required by the Group were primarily derived from the income generated from its core business operations. The Group's liquidity position was well-managed in the Year.

The Group's cash and cash equivalents amounted to approximately HK\$104.0 million in total as at 31 December 2023 (2022: approximately HK\$154.4 million), among which approximately 6.3% (2022: approximately 32.0%) were denominated in Hong Kong dollars, approximately 93.7% (2022: approximately 68.0%) were denominated in Renminbi. The Group did not have any bank loan nor any other borrowing as at 31 December 2023 (31 December 2022: nil).

The Group's gearing ratio (defined as total bank and other borrowings divided by total equity) was zero as at 31 December 2023 (2022: zero).

The Group's financial resources are sufficient to support its business operations. The Group will also consider other financing activities when appropriate business opportunities arise under favourable market conditions.

Foreign Currency Risk

The Group carries out its business in the PRC and most of the transactions are denominated in Renminbi. However, the Group has foreign currency bank balances in Hong Kong dollars which expose the Group to foreign currency risk. To mitigate the foreign currency risk, the Group continuously assesses and monitors the exposure of the exchange rate fluctuations. During the Year, 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.

Employee Information

As at 31 December 2023, the Group had 23 employees (2022: 25) with staff costs for the Year including Directors' emolument, amounting to approximately HK\$8.1 million (2022: approximately HK\$18.4 million). The Group's remuneration policy is based on the positions, duties and performance of the employees. The employees' remunerations vary 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.

Contingent Liabilities

As at 31 December 2023, the Group did not have any significant contingent liabilities.

Material Acquisitions or Disposals and Significant Investments

Signing of the Cooperation Agreement and the establishment of the Target Company

On 11 July 2022, China New Rich Medicine Holding Co. Limited (“**China New Rich**”), a wholly-owned subsidiary of the Company, 浙江萬馬產業發展集團有限公司 (in English, for identification purpose only, Zhejiang Wanma Industrial Development Group Co., Ltd.) (“**Partner A**”) and Mr. Yang Ying (“**Partner B**”) entered into a cooperation agreement (“**Cooperation Agreement**”) in respect of, others, the capital contribution and operation and management of the affairs of 嵊州新銳萬馬實業有限公司 (in English, for identification purpose only, Shengzhou Xin Rui Wan Ma Enterprises Co., Ltd.) (“**Target Company**”).

Pursuant to the Cooperation Agreement, the initial registered capital of the Target Company is RMB50.0 million (equivalent to approximately HK\$58.8 million), and 40%, 39% and 21% of the initial capital contribution 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) 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.

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

In addition, the Supplemental Corporation Agreement has also amended the amount of the shareholder's loan of each party. The revised aggregate shareholder's loan to be made by the parties to the Target Company would be RMB23.7 million whereby, Partner A, China New Rich and Partner B would grant shareholder's loans to the Target Company as initial working capital of approximately RMB9.5 million (equivalent to approximately HK\$11.0 million), approximately RMB9.2 million (equivalent to approximately HK\$10.7 million) and approximately RMB5.0 million (equivalent to approximately HK\$5.8 million) respectively.

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

The purpose of the Target Company is to engage in a project which involves the investment and construction of a healthcare industrial park in Shengzhou, Zhejiang Province, the PRC ("**Project**"). The Project includes the acquisition of the land use right of a project land by public tender and the construction, development and operation of the related facilities and buildings thereon. After the signing of the Cooperation Agreement and Supplemental 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. The Group considered that the establishment of the Target Company undertaking the Project presents a good opportunity for the Group to utilise its available funds for a return and to expand investment portfolio with quality assets and to broaden the Group's strategic cooperation opportunities with other stakeholders in the PRC healthcare industry.

In accordance with the terms and conditions of the Cooperation Agreement and the Supplemental Cooperation Agreement, the Group will only participate as a passive investor in the Target Company and will not be involved in any management and operational functions of the Target Company and will not have board representation in the Target Company. Upon the establishment of the Target Company, the Group's investment in the Target Company shall be recognised as a financial asset at fair value through profit or loss of the Company and its financial results will not be consolidated with those of the Company.

As at 31 December 2023, the Group held approximately 39% equity interest in Target Company with a fair value of approximately HK\$36.6 million. As at 31 December 2023, the fair value of the Group's investment in the Target Company accounted for approximately 7.4% of the Group's total assets. The Group recognised a fair value gain of approximately HK\$0.4 million on its investment in the Target Company in profit or loss for the Year. No dividend income was received from the Target Company for the Year.

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

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

Save as disclosed above, the Group did not make any material investments, acquisitions or disposals during the Year.

Capital Structure

The capital of the Company comprises ordinary shares. As at 31 December 2023, the Group had shareholders' equity of approximately HK\$480.3 million (2022: approximately HK\$525.7 million).

Pledge of Assets

As at 31 December 2023, the Group pledged the buildings and right-of-use assets with an aggregate carrying amount of approximately HK\$12.5 million (2022: approximately HK\$13.0 million) to secure general banking facilities granted to the Group.

Save as disclosed above, as at 31 December 2023, the Group had no charges on its assets.

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.

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 (“**Court**”) by the Securities and Futures Commission (“**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 (“**1st Respondent**”) and Mr. Dai Haidong (“**2nd Respondent**”). The 1st Respondent and the 2nd Respondent retired and resigned from their positions as executive Directors on 27 June 2018 and 5 November 2015 respectively.

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 (now known as WinHealth International Company Limited) (details of such acquisition were disclosed in the announcements of the Company dated 5 December 2016 and 14 March 2017); and
- (3) the 1st Respondent was responsible for misfeasance and/or misconduct which was unfairly prejudicial to the members or any part of the members of the Company, comprising various artificial transactions involving dealings in a number of pharmaceutical products.

In the Petition, the SFC applies for, *inter alia*, an order that the 1st Respondent do pay to the Company the sum of HK\$26 million with interest thereon at such rate and for such period as the Court thinks fit. No order or relief is sought against the Company in the Petition. The Petition was fixed to be heard on 11 May 2021.

On 4 May 2021, the SFC, the Company, the 1st Respondent and the 2nd Respondent made a joint application by way of consent summons ("**Consent Summons**") in respect of the vacation of the hearing date fixed for the Petition. On 5 May 2021, the Court made an order in terms of the Consent Summons as amended, among other things, that the hearing date of the Petition scheduled to be held on 11 May 2021 be vacated and leave be granted to the parties to fix a case management conference on a date in consultation with counsel's diaries. Details of the Petition are disclosed in the Company's announcements dated 18 November 2020 and 10 May 2021. The said case management conference was subsequently fixed on 24 August 2022. At the said case management conference held on 24 August 2022, it was ordered that, among other things, a second case management conference was fixed to be held on 2 December 2022. The Company has received the notice of trial on 17 January 2023, informing the Company that the hearing date of the case has reserved from 30 July to 7 August 2024 and the pre-trial review is scheduled to be heard on 16 April 2024.

As at 31 December 2023 and the date of this results announcement, save as disclosed above, so far as was known to the Directors, no member of the Group was involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

CORPORATE GOVERNANCE

The Board is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to its shareholders and creditors. In this regard, a corporate governance committee of the Board (“**Corporate Governance Committee**”) has been established with primary responsibility of developing and reviewing the Company’s policies and practices on corporate governance and making recommendations to the Board.

The Company has adopted the code provisions as set out in the Corporate Governance Code contained in Appendix C1 (formerly Appendix 14) to the Listing Rules (“**CG Code**”) as its own code of corporate governance.

During the Year, the Company had complied with the code provisions of the then prevailing CG Code for the Year with the exception of code provisions C.2.1, details of which would be explained below.

Ms. Wang Qiuqin, an executive Director and the chief executive officer of the Company (“**Chief Executive Officer**”), was also appointed as the chairman of the Board (“**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 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 such 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.

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 Year.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Group after 31 December 2023 and up to the date of this announcement.

SCOPE OF WORK OF MOORE CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Moore CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the Year. The work performed by Moore CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Moore CPA Limited on the preliminary announcement.

REVIEW BY AUDIT COMMITTEE

The annual results of the Company for the Year have been reviewed by the audit committee of the Board.

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

Hong Kong, 25 March 2024

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