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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2024:

- The Group recorded a revenue of approximately HK$16,718,000 for the six months ended 30 June 2024, which has decreased by approximately 46.1% when compared to the revenue of approximately HK$31,016,000 for the corresponding period in 2023.

- Net loss attributable to owners of the Company for the six months ended 30 June 2024 was approximately HK$4,088,000, which has decreased by approximately 69.4% when compared to the net loss attributable to owners of the Company of approximately HK$13,357,000 for the corresponding period in 2023.

- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: nil).

As at 30 June 2024:

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2024 (31 December 2023: zero).

The board ("**Board**") of directors ("**Directors**") of New Ray Medicine International Holding Limited ("**Company**") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 ("**Period**") together with the comparative unaudited figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			As restated
Revenue	4	**16,718**	31,016
Cost of sales		**(10,492)**	(23,854)
		6,226	7,162
Other income, gains and losses	5	**735**	(4,946)
Selling and distribution expenses		**(4,876)**	(7,552)
Administrative expenses		**(5,867)**	(5,814)
Finance costs		**(3)**	(24)
Impairment loss on trade and other receivables		**(31)**	(2,183)
Fair value loss on financial assets at fair value through profit or loss ("**FVTPL**")	7	**(267)**	–
Loss before taxation		**(4,083)**	(13,357)
Income tax expense	6	**(5)**	–
Loss for the period attributable to owners of the Company	7	**(4,088)**	(13,357)
Other comprehensive expense for the period:			
Items that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of functional currency to presentation currency – Subsidiaries		**(6,734)**	(5,023)
Fair value loss on equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**(4,230)**	(12,896)
Other comprehensive expense for the period		**(10,964)**	(17,919)
Total comprehensive expense for the period		**(15,052)**	(31,276)
Loss for the period attributable to owners of the Company		**(4,088)**	(13,357)
Total comprehensive expense for the period attributable to owners of the Company		**(15,052)**	(31,276)
Loss per share – Basic and diluted *(HK cents)*	9	**(0.24)**	(0.80)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

New Ray Medicine International Holding Limited was incorporated on 9 August 2012 and registered as an exempted company with limited liability in Bermuda.

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix D2 to the Listing Rules.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the principal accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the Period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of these condensed consolidated financial statements:

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

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

4. REVENUE AND SEGMENT INFORMATION

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

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

(i) Distribution and trading of pharmaceutical products – distribution and trading of injection drugs; and

(ii) Provision of marketing and promotion services – provision of marketing and promotion services of drugs and chemical reagents.

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

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

Six months ended 30 June 2024 (unaudited)

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

Six months ended 30 June 2023 (unaudited)

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

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

Geographical information

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

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

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2024 **(Unaudited)** ***HK$'000***	2023 (Unaudited) *HK$'000*
Bank interest income	**1,315**	1,473
Dividend income from equity instruments at FVTOCI	**420**	575
Net exchange loss	**(1,184)**	(6,995)
Gain on disposal of property, plant and equipment	**143**	1
Others	**41**	–
	735	(4,946)

6. INCOME TAX EXPENSE

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

Under the Laws of the PRC on Enterprise Income Tax ("**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% for both periods. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits in Hong Kong for both periods

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,129**	1,486
Depreciation of right-of-use assets	**700**	718
Amortisation of intangible assets	**–**	881
Amortisation of prepayment for a distribution right	**1,423**	1,763
Fair value loss on financial assets at FVTPL	**267**	–
Cost of inventories recognised as an expense	**10,306**	23,625

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2023: nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(4,088)**	(13,357)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,671,846,657**	1,671,846,657

Note: The computation of diluted loss per share for the six months ended 30 June 2024 does not assume the conversion of the Company's outstanding share options as at 30 June 2024 since their assumed exercise would result in a decrease in loss per share. The basic and diluted loss per share for the six months ended 30 June 2023 were the same as there were no potential dilutive shares.

10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

During the Period, the Group acquired property, plant and equipment of approximately HK$567,000 (six months ended 30 June 2023: approximately HK$43,000).

During the Period, the Group entered into one new lease agreement with a lease term of 2 years (six months ended 30 June 2023: did not have any new lease agreement). On lease commencement, the Group recognised right-of-use asset of approximately HK$834,000 (six months ended 30 June 2023: nil) and lease liability of approximately of HK834,000 (six months ended 30 June 2023: nil).

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

Equity instruments at FVTOCI comprise:

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

Financial assets at FVTPL comprises:

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

Details of the fair value of equity instruments at FVTOCI and FVTPL are disclosed in note 16 to the condensed consolidated financial statements to be set out in the interim report for the six months ended 30 June 2024.

12. INVENTORIES

	As at 30 June 2024 (Unaudited) *HK$'000*	As at 31 December 2023 (Audited) *HK$'000*
Finished goods	**20,492**	31,167

13. TRADE AND OTHER RECEIVABLES

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

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

	As at 30 June 2024 (Unaudited) *HK$'000*	As at 31 December 2023 (Audited) *HK$'000*
Trade receivables:		
0–30 days	**22,774**	26,740
31–60 days	**25,758**	427
61–90 days	**1,301**	62
91–180 days	**645**	2,094
181–365 days	**1,693**	6,772
Over 365 days	**25,078**	18,957
	77,249	55,052

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

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

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

14. TRADE AND OTHER PAYABLES

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

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

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
0–30 days	**16,599**	342

The credit period on purchase of goods ranges from 30 to 60 days. For certain suppliers, the Group is required to make prepayments and/or pay deposits to the suppliers based on the supplier agreements for purchase of goods. Details of the amounts of prepayments to suppliers and deposits paid to suppliers are set out in note 13 to the condensed consolidated financial statements.

15. SHARE CAPITAL

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

Ordinary shares

	Number of shares *'000*	**Amount** *HK$'000*
Authorised:		
At 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024	**3,000,000**	**150,000**
Issued and fully paid:		
At 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024	**1,671,847**	**83,592**

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an established pharmaceutical distributor originated from Zhejiang province and headquartered in Hangzhou, Zhejiang province in the People's Republic of China ("**PRC**"). The Group is principally engaged in the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in the PRC. The Group procures pharmaceutical products throughout the PRC and sells the pharmaceutical products; and provides marketing and promotion services through a network of customers spreading over different regions in the PRC, including Zhejiang province, Jiangsu province, Hainan province, Hunan province and Guangdong province.

Overview

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

In the first half of 2024, the trading activities and business operations of the Group have decreased due to the continuously adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China. As a result, the demand for the Group's major product under the second generation of Cephalosporins (二代頭孢產品) (1.0g) ("**Product**") has declined during the Period.

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

Business review

During the Period, the revenue of the Group was contributed by (i) the distribution and trading of pharmaceutical products; and (ii) the provision of marketing and promotion services, in the PRC. The major category of the pharmaceutical products distributed by the Group is injection drugs.

Revenue and segment information

The table below sets out the revenue of the Group (by business segment) for the six months ended 30 June 2024 and 2023 respectively.

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

(1) Distribution and trading of pharmaceutical products

This segment generated a revenue of approximately HK$12,116,000 for the Period (six months ended 30 June 2023: approximately HK$27,124,000), representing a decrease of approximately 55.3% as compared to that for the corresponding period in 2023. The decrease in revenue was primarily attributable to the continuously adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China. As a result, the demand for the Product has declined during the Period.

(2) Provision of marketing and promotion services

This segment generated a revenue of approximately HK$4,602,000 for the Period (six months ended 30 June 2023: approximately HK$3,892,000), representing an increase of approximately 18.2% as compared to that for the corresponding period in 2023. Under the implementation of the "Two-Invoice" System (兩票制) in the PRC since 2017, the Group started to develop its business of the provision of marketing and promotion services in respect of pharmaceutical products in the PRC. The Group's marketing and promotion model involves formulating marketing and promotion strategies and conducting academic promotion programs of the Group's products in return for service income from the suppliers.

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

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

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

Outlook

The PRC pharmaceutical industry is facing many challenges as a result of the release of a series of policies by the Chinese government to reform its healthcare system, such as the volume-based procurement (帶量採購), which was officially initiated in 11 cities in the PRC in 2018, and the expansion of the volume-based procurement nationwide since 2019. The first, second and third batches of the national volume-based procurement were successfully implemented during the years 2019 to 2020. The fourth, fifth, sixth, seventh, eighth and ninth batches were completed in February 2021, June 2021, November 2021, July 2022, March 2023 and November 2023, respectively. The fourth batch of the volume-based procurement involved 45 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 52% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 96% as compared to its original bidding price. The fifth batch of the volume-based procurement involved 62 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 56% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 98% as compared to its original bidding price. The sixth batch ("**6th Batch**") of the volume-based procurement involved 42 varieties of insulin products, and the average price of the shortlisted varieties was reduced by approximately 49% as compared to the average original bidding prices, with the biggest price reduction of one variety being approximately 74% as compared to its original bidding price. The seventh batch of the volume-based procurement involved 60 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately

48% as compared to the average original bidding prices. The eighth batch of the volume-based procurement ("**8th Batch**") was completed in March 2023. The 8th Batch involved 39 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 56% as compared to the average original bidding prices. The ninth batch of the volume-based procurement ("**9th Batch**") was completed in November 2023. The 9th Batch involved 41 varieties of pharmaceutical products, and the average price of the shortlisted varieties was reduced by approximately 58% as compared to the average original bidding prices.

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

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

Continue to diversify the existing product portfolio

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

Continue to enhance and expand the sales and marketing capabilities

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

To focus on our core businesses

As a long-term business strategy, the Group intends to focus on its businesses of the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in respect of pharmaceutical products in the PRC through reallocating its resources to the future development of the core businesses. Besides, the Group will continue to seek potential merger and acquisition opportunities to bring higher return for its shareholders.

Financial review

Revenue

The total revenue for the Period was approximately HK$16,718,000, representing a decrease of approximately 46.1% from approximately HK$31,016,000 for the six months ended 30 June 2023. The decrease in revenue from the continuously adverse impact from the further strengthened policy on the adoption of stratified and categorised management of antibacterial drugs in various regions in mainland China. As a result, the demand for the Product has declined during the Period.

Cost of sales

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

Gross profit and gross profit margin

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

Other income, gains and losses

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

Selling and distribution expenses

Selling and distribution expenses for the Period were approximately HK$4,876,000, representing a decrease of approximately 35.4% from approximately HK$7,552,000 for the six months ended 30 June 2023. The decrease in selling and distribution expenses was primarily attributable to the decrease in the marketing service fee and delivery expenses in line with the decrease in sales volume of the Product.

Administrative expenses

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

Income tax expense

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

Loss for the Period

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

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

Liquidity and financial resources

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group maintained a healthy liquidity position during the Period. During the Period, the operations of the Group were principally financed by internal resources.

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

Contingent liabilities

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

Significant investments and material acquisitions and disposals

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

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

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

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

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

Cooperation agreement and increase in capital contribution of Shengzhou Xinrui Wanlin Enterprise Management Co., Ltd. ("Shengzhou Xinrui Wanlin")

On 24 May 2024, Zhejiang Xinrui Biopharmaceutical Co., Ltd. ("**Zhejiang Xinrui Biopharmaceutical**"), an indirect wholly-owned subsidiary of the Company, 浙江萬馬產業發展集團有限公司 (in English, for identification purpose only, Zhejiang Wanma Industrial Development Group Co., Ltd.) ("**Partner A**") and 杭州觀聖管理諮詢有限公司 (in English, for identification purpose only, Hangzhou Guansheng Management Consulting Co., Ltd.) ("**Partner B**") entered into the cooperation agreement ("**Cooperation Agreement**") in respect of, among others, the increase in capital contribution and operation and management of the affairs of Shengzhou Xinrui Wanlin.

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

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

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

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

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

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

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

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

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

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

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

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

Save as disclosed above, the Group did not make any significant investments and material acquisitions or disposals during the Period and up to the date of this report.

Capital structure

There has been no change in the capital structure of the Company during the Period. The capital of the Company comprises one class of ordinary shares.

Pledge of assets

As at 30 June 2024, the Group pledged the buildings and right-of-use assets with an aggregate carrying amount of approximately HK$12,193,000 to secure general banking facilities granted to the Group (31 December 2023: approximately HK$12,479,000).

Equity instruments at FVTOCI

The Group's equity instruments at FVTOCI include (i) equity instruments at FVTOCI listed in Hong Kong which have been determined based on the quoted market prices available on the Stock Exchange.

As at 30 June 2024, the Group's securities investment in the shares of Town Health International Medical Group Limited ("**Town Health**") ("**TH Shares**") (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 3886) had a fair value of approximately HK$32.9 million and an investment amount of approximately HK$142.0 million. As at 30 June 2024, the fair value of the Group's investment in Town Health accounted for approximately 6.6% of the Group's total assets. The Group recognised a fair value loss on its investment in the TH Shares of approximately HK$5.3 million for the Period. No dividend income was received from Town Health for the Period.

As at 30 June 2024 and the date of this report, the Group held 117,602,000 TH Shares, representing approximately 1.74% of the total issued share capital of Town Health. Town Health and its subsidiaries are principally engaged in the provision of medical and dental services in Hong Kong, managing healthcare networks and the provision of third party medical network administrator services in Hong Kong, the provision of medical and dental services as well as hospital management and related services in the PRC and others including leasing of properties. According to the announcement of annual results of Town Health for the year ended 31 December 2023, in 2024, risks and opportunities will coexist. On the one hand, the global economic growth is slowing down and the economic recovery path of the Mainland China is relatively bumpy. The constraints caused by monetary tightening policies on real economic activities may become more apparent. On the other hand, as the Pandemic recedes, society returns to normal and the job market continues to improve. The continued strong consumer spending of citizens and the gradual recovery of the inbound tourism industry will be the two major supports for Hong Kong's economic recovery and drive the continued development of the local private medical service industry. In the long run, population ageing in Hong Kong and the Mainland China is an irreversible trend, and the prevalence of chronic diseases continues to rise. The ageing society has an increasing demand for medical, health care, long-term care and other services, which provides a favourable environment for the long-term development of Town Health's businesses with certainty. After Hong Kong and the Mainland China achieved full resumption of normal travel last year, personnel and economic and trade exchanges between the two places have become increasingly closer, perhaps even better than the situation before the Pandemic. The government also encourages the development of "Hong Kong Doctors and Hong Kong Pharmaceuticals" in the Mainland China, especially the Guangdong-Hong Kong-Macao Greater Bay Area market with a permanent population of more than 86 million. Town Health will closely monitor macroeconomic changes and trends in the healthcare industry, balance growth and risks, and seek to further integrate existing healthcare resources in Hong Kong and the Mainland China. It will connect its chain medical centres, high-end medical imaging and diagnostic centres, health check centres, health management centres, hospitals and internet hospital, and telemedicine platform in establishing a full-cycle, integrated and one-stop healthcare service ecosystem in the Guangdong-Hong Kong-Macao Greater Bay Area. In view of the dual challenges of the ageing population and the increasing prevalence of chronic diseases in Hong Kong, Town Health will continue to support the government in promoting primary healthcare policies, proactively participate in various funding or public-private partnership programmes for primary healthcare, and strengthen cooperation and business contacts with the government. Town Health will cooperate with the government's primary healthcare development strategy which is prevention-oriented, community-based and family-centric, and featured by focus on early detection and early treatment. Town Health is well prepared to maximize the effectiveness of its two-way referral mechanism between primary care and specialists to provide convenient, comprehensive, coherent and coordinated healthcare services in the communities where customers live and work.

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

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

The fair value loss (inclusive of the fair value loss on the TH Shares) of approximately HK$4.2 million was recognised under the FVTOCI (non-recycling reserve) during the Period. The Group will continue to monitor its investments cautiously in view of recent uncertain market conditions.

Financial assets at FVTPL

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

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

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

Please refer to the announcements of the Company dated 11 July 2022, 26 July 2022 and 16 January 2023 for further details of the cooperation agreement and the supplemental cooperation agreement in relation to Shengzhou Xin Rui Wan Ma.

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

The Group will continue to monitor its investments cautiously in view of recent uncertain market conditions.

Future plans for material investments

Save as disclosed in this report, the Group currently does not have other future plan for material investments.

Employee information

As at 30 June 2024, the Group had 23 employees (31 December 2023: 23). Staff costs, including Directors' emolument for the Period, amounted to approximately HK$4,022,000 (six months ended 30 June 2023: approximately HK$3,843,000). The Group's remuneration policy is based on positions, duties and performance of the employees. The employees' remuneration varies according to their positions, which include salaries, overtime allowances, bonuses and/or various subsidies. The Group offers comprehensive and competitive remuneration and benefits packages to all its employees. In addition, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations.

The Group also provides other employee benefits including a provident fund scheme for its employees in Hong Kong as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485, the Laws of Hong Kong), and participates in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

Foreign currency risk

The Group carries out its business in the PRC and most of the transactions are denominated in Renminbi. The Group has foreign currency bank balances in Hong Kong dollars and the United States dollars which expose the Group to foreign currency risk. To mitigate the foreign currency risk, the Group continually assesses and monitors the exposure of the exchange rate fluctuations. During the Period, the Directors did not consider it necessary to adopt a foreign currency hedging policy as the potential impact on the profit or loss of the Group due to the exchange rate fluctuations was immaterial.

Litigation

On 17 November 2020, the Company was served a sealed copy of a petition dated 16 November 2020 filed with the High Court of the Hong Kong Special Administrative Region (the "**Court**") by the SFC pursuant to section 214 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") ("**Petition**"). The Petition named three respondents. Apart from the Company, the other two parties named as respondents under the Petition are two former Directors, namely Mr. Zhou Ling ("**1st Respondent**") and Mr. Dai Haidong ("**2nd Respondent**"). The 1st Respondent and the 2nd Respondent retired and resigned from their positions as Executive Directors on 27 June 2018 and 5 November 2015 respectively.

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

(1) the 1st Respondent and the 2nd Respondent had breached their duties as directors of the Company in relation to the Group's acquisition of 50% interest in Saike International (details of such acquisition were disclosed in the announcements of the Company dated 14 February 2015, 20 March 2015, 26 June 2015 and 16 July 2015);

(2) the 1st Respondent had made a secret profit in the sum of HK$26 million out of the Group's acquisition of 15% interest in Eternal Charm International Limited (currently known as WinHealth International Company Limited) (details of such acquisition were disclosed in the announcements of the Company dated 5 December 2016 and 14 March 2017); and

(3) the 1st Respondent was responsible for misfeasance and/or misconduct which was unfairly prejudicial to the members or any part of the members of the Company, comprising various artificial transactions involving dealings in a number of pharmaceutical products.

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

On 4 May 2021, the SFC, the Company, the 1st Respondent and the 2nd Respondent made a joint application by way of consent summons ("**Consent Summons**") in respect of the vacation of the hearing date fixed for the Petition. On 5 May 2021, the Court made an order in terms of the Consent Summons as amended, among other things, that the hearing date of the Petition scheduled to be held on 11 May 2021 be vacated and leave be granted to the parties to fix a case management conference on a date in consultation with counsel's diaries. Further details of the matters were disclosed in the announcements of the Company dated 18 November 2020 and 10 May 2021. The said case management conference was subsequently fixed on 24 August 2022. At the said case management conference held on 24 August 2022, it was ordered that, among other things, a second case management conference was fixed to be held on 2 December 2022. The case was subsequently heard in July 2024.

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

As at 30 June 2024 and the date of this report, save as disclosed above, so far as was known to the Directors, no member of the Group was involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

Compliance with corporate governance code

The Company adopted its own code of corporate governance based on the principles and the code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules ("**CG Code**").

Ms. Wang Qiuqin is an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company. As Ms. Wang Qiuqin is performing both the roles of the Chairman and the Chief Executive Officer, this constitutes a deviation from Code Provision C.2.1 of the CG Code which requires that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Board believes that while vesting both the roles of the Chairman and the Chief Executive Officer in the same person gains the benefit of ensuring consistent leadership within the Group, the balance of power and authority for that arrangement are not impaired as all major decisions are made in consultation with the Board members and the senior management of the Company. Nevertheless, the Group will review the structure from time to time in light of the prevailing circumstances and may look for suitable candidate to take up the role of the Chairman and will make announcement as and when appropriate.

Save as disclosed above, the Company had complied with the CG Code to the extent applicable and permissible to the Company during the Period.

Model code for securities transactions by directors

The Company has adopted the Model Code contained in Appendix C3 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

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

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

Review of Interim Results

The audit committee of the Board has reviewed the unaudited condensed consolidated financial statements of the Group for the Period and this announcement.

On behalf of the Board
New Ray Medicine International Holding Limited
Wang Qiuqin
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 August 2024

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.