THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **New Ray Medicine International Holding Limited** ("**Company**"), you should at once hand this circular and the enclosed form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

MAJOR TRANSACTION –
DISPOSAL OF THE SALE SHARES OF THE TARGET COMPANY
AND
NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting of the Company to be held at 9:00 a.m. on Thursday, 2 September 2021 at Units 1203B, 1204–1205, 12/F, Worldwide House, 19 Des Voeux Road Central, Central, Hong Kong is set out on pages SGM-1 and SGM-3 of this circular. A form of proxy for use by the shareholders of the Company at the special general meeting of the Company is enclosed herein.

Whether or not you are able to attend the special general meeting of the Company, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event by 9:00 a.m. (Hong Kong time) on Tuesday, 31 August 2021 or not less than 48 hours before the time appointed for holding any adjournment of the special general meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting of the Company or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Please see the section headed "PRECAUTIONARY MEASURES FOR THE SGM" in this circular for measures being taken to try to prevent and control the spread of Covid-19 at the SGM.

12 August 2021

In view of the ongoing novel coronavirus (Covid-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection.

VOTING BY PROXY IN ADVANCE OF THE SGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their right to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the Covid-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. **Physical attendance is not necessary for the purpose of exercising Shareholders' rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should they subsequently so wish.**

PREVENTIVE MEASURES AT THE SGM

The Company will implement the following preventive measures at the SGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

(i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the SGM venue.

(ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the SGM venue a health declaration form confirming, among other things, their names and contact details, and that they have not travelled to, or had close contact with any person who to their best of knowledge has recently travelled to, any countries or areas outside of Hong Kong at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the SGM venue.

(iii) Every attendee will be required to wear a surgical face mask throughout the SGM. Please note that no masks will be provided at the SGM venue and attendees should bring and wear their own masks.

(iv) Seating at the SGM will be arranged to ensure adequate physical distancing between participants so as to reduce interaction between them.

(v) No refreshments will be served and there will be no corporate gifts.

The Company will closely monitor the development of the Covid-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to the Covid-19 pandemic. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

If any Shareholder chooses not to attend the SGM in person but has any question about the resolution(s) or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to the principal place of business of the Company in Hong Kong or to the email address of the Company at info@newraymedicine.com. If any Shareholder has any question relating to the SGM, please contact Tricor Investor Services Limited, the Company's share registrar and transfer office in Hong Kong, the details of which are as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: 2980 1333
Fax: 2810 8185

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday or public holiday and any day on which a tropical cyclone warning signal no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "Black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. to 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	New Ray Medicine International Holding Limited (新銳醫藥國際控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on Main Board of the Stock Exchange
"Completion"	completion of the disposal of the Sale Shares by the Group in accordance with terms and conditions of the Share Repurchase Agreement
"Completion Date"	any Business Day as determined by the Vendor and the Purchaser which falls within five Business Days after the fulfilment of the conditions precedent to the Share Repurchase Agreement or such other date as the Vendor and the Purchaser may agree in writing
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"Consideration"	the consideration of RMB68,000,000 (equivalent to approximately HK$80.9 million) payable by the Purchaser to the Vendor for the Disposal pursuant to the terms and conditions of the Share Repurchase Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Share Repurchase Agreement
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	9 August 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	16 September 2021, or such other date as the Vendor and the Purchaser may agree in writing
"Original Share Repurchase Agreement"	the share repurchase agreement dated 20 April 2021 entered into by and between the Vendor and the Purchaser in relation to the Disposal
"PRC"	the People's Republic of China, but for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Purchaser" or "Target Company"	WinHealth International Company Limited (維健國際有限公司) (formerly known as Eternal Charm International Limited (恆雅國際有限公司)), a company incorporated in the BVI with limited liability
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	162,806 ordinary shares of the Target Company of par value of US$0.00128 each as beneficially owned by the Vendor, representing approximately 8.11% of the issued share capital of the Target Company as at the date of the Original Share Repurchase Agreement and approximately 7.87% of the issued share capital of the Target Company as at the Latest Practicable Date
"SGM"	the special general meeting of the Company convened to be held at 9:00 a.m. on Thursday, 2 September 2021 at Units 1203B, 1204–1205, 12/F, Worldwide House, 19 Des Voeux Road Central, Central, Hong Kong to consider and, if thought fit, approve the Share Repurchase Agreement and the transactions contemplated thereunder, the notice of which is set out on pages SGM-1 and SGM-3 of this circular
"Share(s)"	the ordinary share(s) of HK$0.05 each in the issued share capital of the Company

"Shareholder(s)"	the holder(s) of the Share(s)
"Share Repurchase Agreement"	the share repurchase agreement dated 20 April 2021 entered into by and between the Vendor and the Purchaser in relation to the Disposal (as amended and supplemented by the Supplemental Agreement)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the agreement dated 30 July 2021 entered into by and between the Vendor and the Purchaser in relation to the extension of the Long Stop Date
"Target Group"	collectively, the Target Company and its subsidiaries
"USD"	United States dollars, the lawful currency of the United States of America
"Vendor"	Major Bright Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"%"	per cent.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.19. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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)

Executive Directors:
Ms. Wang Qiuqin
(Chairman and Chief Executive Officer)
Mr. Huo Zhihong
Mr. Chu Xueping

Independent non-executive Directors:
Mr. Leung Chi Kin
Ms. Li Sin Ming, Ivy
Mr. Sy Lai Yin, Sunny

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Headquarters:
B–C, 37/F
Dikai International Center
19 Dangui Road
Hangzhou, the PRC

Principal place of business in Hong Kong:
Room 911B, 9th Floor
Tower 1, Silvercord
No. 30 Canton Road
Kowloon, Hong Kong

12 August 2021

To the Shareholders

Dear Sir or Madam

MAJOR TRANSACTION – DISPOSAL OF THE SALE SHARES OF THE TARGET COMPANY

INTRODUCTION

Reference is made to the announcements of the Company dated 20 April 2021, 30 July 2021 and 5 August 2021 in relation to the Disposal. On 20 April 2021 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Original Share Repurchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares at the Consideration of

RMB68,000,000 (equivalent to approximately HK$80.9 million). The Sale Shares represent approximately 8.11% of the issued share capital of the Target Company as at the date of the Original Share Repurchase Agreement.

On 30 July 2021, the Vendor and the Purchaser entered into the Supplemental Agreement to extend the Long Stop Date for the satisfaction of the conditions precedent to the Share Repurchase Agreement from 16 August 2021 to 16 September 2021 (or such other date as the Vendor and the Purchaser may agree in writing).

As informed by the Target Company on 4 August 2021, subsequent to the signing of the Share Repurchase Agreement on 20 April 2021, the Target Company allotted and issued new shares to one of its existing shareholders. Based on the representations of the Target Company, immediately after the allotment and issue of the new shares, the shareholding of the Vendor in the Target Company was diluted from approximately 8.11% to approximately 7.87%. As at the Latest Practicable Date, the Vendor is beneficially interested in approximately 7.87% of the issued share capital of the Target Company.

The purpose of this circular is to provide you with, among other things, further information on the Disposal, the Share Repurchase Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules together with a notice of the SGM and a form of proxy.

THE SHARE REPURCHASE AGREEMENT

The principal terms of the Share Repurchase Agreement are set out below:

Date

20 April 2021 (for the Original Share Repurchase Agreement)

30 July 2021 (for the Supplemental Agreement)

Parties

Vendor: Major Bright Holdings Limited, a wholly-owned subsidiary of the Company

Purchaser: WinHealth International Company Limited (維健國際有限公司)

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the principal business activity of the Purchaser is investment holding; (ii) out of its 14 shareholders, the Purchaser is controlled by three shareholders which in aggregate beneficially interested in over 30% of the total issued share capital of the Purchaser ("**Single Largest Shareholders**"); (iii) the respective ultimate beneficial owners of the Single Largest Shareholders are Mr. Wang Wei and his spouse, Ms. Hu Qing; (iv) each of Mr. Wang Wei and Ms. Hu Qing is engaged in the distribution of pharmaceutical products in the PRC through his/her holding of interest in the Purchaser; and (v) each of the Purchaser and their respective ultimate beneficial owners (except the Vendor) is a third party independent of the Company and its connected persons under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the Purchaser is beneficially owned by the Single Largest Shareholders, LYFE Mount Rainer Limited, LYFE Kings Peak Limited and the Vendor as to over 30% in aggregate, approximately 18.69%, approximately 14.96% and approximately 7.87% respectively. The remaining shareholding of the Purchaser is beneficially owned by its shareholders as to approximately 0.53% to approximately 10.50% and most of its shareholders have less than 4% interest in the Purchaser. LYFE Mount Rainer Limited is held by seven shareholders which include asset investment company, listed and unlisted private equity funds, namely LYFE Capital GP II, L.P., PANTHEON ACCESS CO-INVESTMENT PROGRAM, L.P. – SERIES 62, PANTHEON INTERNATIONAL PLC, AXIOM ASIA IV, L.P., AXIOM ASIA CO-INVESTMENT FUND I, L.P., 57 STARS GLOBAL OPPORTUNITY FUND 3 (KIA), L.P. and MISLAND CAPITAL LIMITED. LYFE Kings Peak Limited is held by LYFE Capital Fund II, L.P.. LYFE Mount Rainer Limited and LYFE Kings Peak Limited have no common shareholder. The Single Largest Shareholders, which are owned by Mr. Wang Wei and his spouse, Ms. Hu Qing, are the single largest group of shareholders controlling over 30% interest in the Purchaser and have significant influence in the management and operation of the Purchaser.

The Purchaser has five directors, namely, Mr. Wang Wei, Ms. Hu Qing, Mr. Zhao Jin, Mr. Hu Xuyu and Ms. Wang Qiuqin. The Company obtained confirmation from Mr. Wang Wei, Ms. Hu Qing, LYFE Mount Rainer Limited and LYFE Kings Peak Limited and the directors of the Purchaser, Mr. Hu Xuyu, Mr. Zhao Jin and Ms. Wang Qiuqin that, among others, they are not connected or acting in concert with Mr. Zhou Ling, Ms. Yang Fang and Mr. Dai Haidong, the former Directors. The Purchaser has also warranted to the Group that each of the Purchaser and its ultimate beneficial owners (other than the Vendor) is independent of the existing and former management of the Company under the Share Repurchase Agreement.

Assets to be disposed of

The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares free from all encumbrances. The Sale Shares represent approximately 8.11% of the issued share capital of the Target Company as at the date of the Original Share Repurchase Agreement and approximately 7.87% of the issued share capital of the Target Company as at the Latest Practicable Date. Further particulars of the Target Group are set out in the section headed “Information of the Target Group” below.

Consideration

The Consideration payable by the Purchaser to the Vendor is RMB68,000,000 (equivalent to approximately HK$80.9 million), which shall be settled in the following manner:

(1) RMB10,000,000 (equivalent to approximately HK$11.9 million) (or its equivalent Hong Kong dollar amount) (“**Deposit**”) shall be payable in cash by the Purchaser to the Vendor on the fifth Business Day after the date of signing of the Original Share Repurchase Agreement as a refundable deposit; and

(2) RMB58,000,000 (equivalent to approximately HK$69.0 million) (or its equivalent Hong Kong dollar amount) shall be payable in cash by the Purchaser to the Vendor upon Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser after taking into consideration (i) the valuation of the fair value of the Sale Shares ("**Valuation**") as at 31 December 2020 ("**Valuation Date**") of approximately RMB62.7 million (equivalent to approximately HK$74.6 million) conducted by Ascent Partners Valuation Service Limited ("**Valuer**"), an independent professional valuer appointed by the Group, based on market approach; (ii) the carrying amount of the Sale Shares as at 30 June 2020 of approximately RMB67.9 million (equivalent to approximately HK$80.8 million); and (iii) the future prospect of the Target Group under the implementation of the volume-based procurement (帶量採購) policies in the PRC as elaborated below.

The pharmaceutical industry in which the Target Group operates is facing many challenges as a result of the release of a series of policies by the Chinese government to reform its healthcare system, such as the volume-based procurement officially initiated in 11 cities in the PRC in 2018 and the expansion of the volume-based procurement nationwide since 2019. The first, second and third batches of the national volume-based procurement were successfully implemented during the years 2019 to 2020, and the fourth batch was completed in February 2021. 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.

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

According to the current volume-based procurement, public hospitals and public medical institutions should give priority to the procurement of bid-winning drugs. One of the products distributed by the Target Group, an ambroxol hydrochloride injection with its product name of "Musultan", was not selected in the fourth batch of China's national volume-based procurement in 31 geographical areas in the PRC including Beijing, Shanghai, Guangdong, Zhejiang and Tianjin. It brings uncertainty to the sales and profitability of Musultan distributed by the Target Group.

Under the current shareholding structure of the Target Company, the holders of Preferred Shares have the right of optional redemption and liquidation preference. Once the holders of Preferred Shares exercise the right of optional redemption and liquidation preference under certain triggering events, such as the absence of a qualified IPO of the Target Company by 31 December 2022, the Target Company may need to use a large portion of its financial resources to repay for the redemption of the preferred shares. In that case, the Target Company's going concern may be in doubt and the fair value of the ordinary shares held by the Group may also be greatly reduced.

Having considered the valuation of the Target Group, the carrying amount of the Sale Shares and the future prospect of the Target Group under the implementation of the volume-based procurement policies in the PRC, the Company considers that the Consideration is fair and reasonable.

The investment cost of the Group attributable to the Sale Shares was approximately RMB47.25 million (equivalent to approximately HK$56.2 million).

Conditions precedent

Completion shall be conditional upon the fulfilment of all of the following conditions:

(1) all necessary authorisations, consents and approvals as may be required for the Vendor to complete the Share Repurchase Agreement and the transactions contemplated thereunder having been obtained (including but not limited to the Disposal having been approved by the Shareholders by way of requisite resolution(s) at the SGM in accordance with the Listing Rules) and the relevant authorisations, consents and approvals remaining in full force and effect as at the Completion Date;

(2) the Vendor, the Company or the Purchaser not having received any notice of objection (written or otherwise) in respect of the Share Repurchase Agreement and the transactions contemplated thereunder from any regulatory authority in Hong Kong or elsewhere as at the Completion Date; and

(3) all necessary authorisations, consents and approvals as may be required for the Purchaser to complete the Share Repurchase Agreement and the transactions contemplated thereunder having been obtained and the relevant authorisations, consents and approvals remaining in full force and effect as at the Completion Date.

The above conditions precedent are not capable of being waived by the Vendor or the Purchaser.

If the conditions precedent have not been satisfied at or before 5:00 p.m. on the Long Stop Date, the Share Repurchase Agreement shall cease and terminate (save and except for the certain provisions in relation to confidentiality, notice, costs and expenses and miscellaneous matters which shall continue to have full force and effect) and no party to the Share Repurchase Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof. In case of such termination, the Vendor shall refund the Deposit to the Purchaser in full (without interest) within five Business Days from the date of the termination of the Share Repurchase Agreement.

Completion

Completion shall take place on the Completion Date which shall be any Business Day as determined by the Vendor and the Purchaser which falls within five Business Days after the fulfilment of the conditions precedent or such other date as the Vendor and the Purchaser may agree in writing.

As advised by the Purchaser, the Sale Shares to be acquired by the Purchaser will be cancelled immediately upon Completion. After Completion, the Purchaser may issue new shares for the purpose of its employee stock ownership plan.

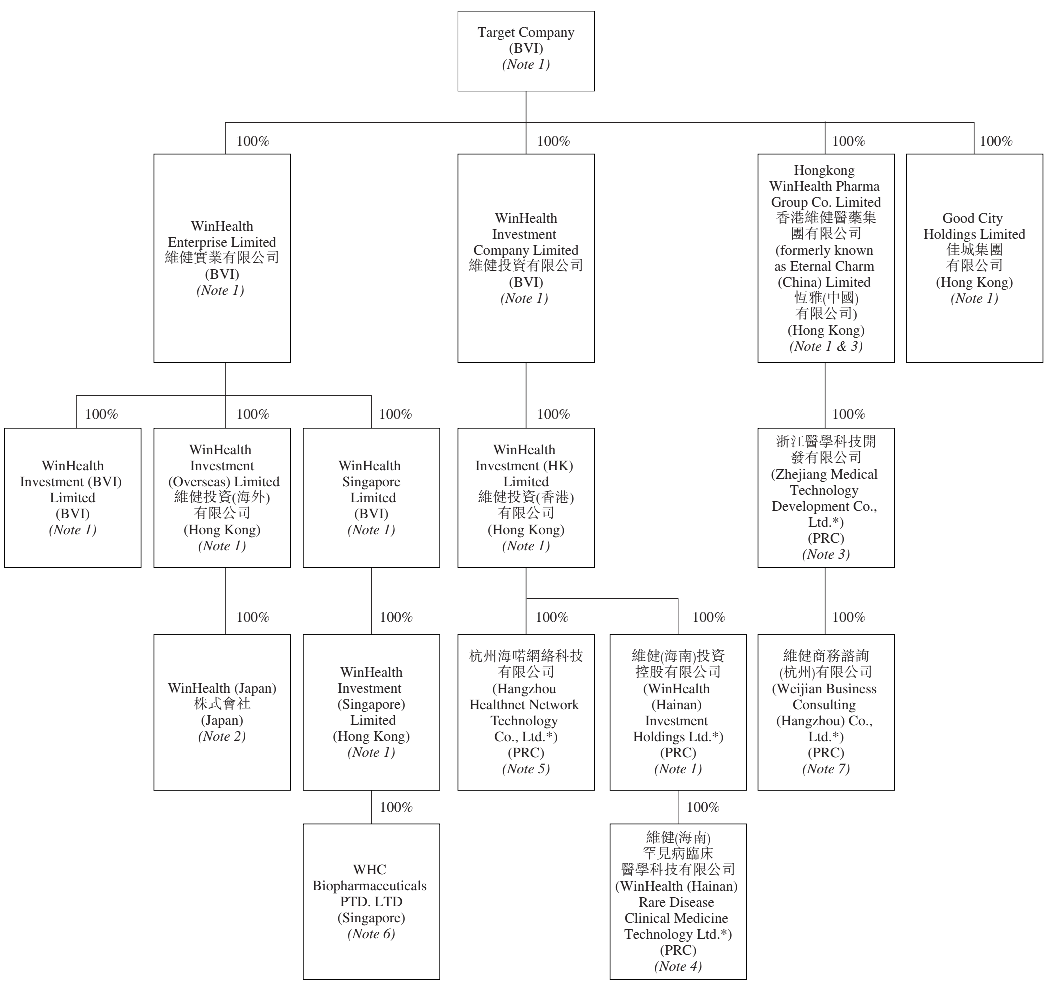
INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI with limited liability.

The Group invested in the Target Group through its acquisition of 15% of the then issued share capital of the Target Company back in 2017. Since 2017, the Target Company obtained several rounds of investments from new investors through allotment of new shares. As at the Latest Practicable Date, the Target Company has 14 shareholders. The Vendor is beneficially interested in the Sale Shares, representing approximately 7.87% of the issued share capital of the Target Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the Target Company holds a number of subsidiaries and investee companies. The Target Group is principally engaged in the distribution of pharmaceutical products in the PRC and has an extensive distribution network through possessing distribution rights of various imported prescription drugs in the PRC.

Set out below is the shareholding structure of the Target Company and its subsidiaries as at the Latest Practicable Date:



* *For identification purposes only*

Notes:

The principal activity of the above respective companies is:

1. investment holding
2. the sourcing of distribution rights in respect of pharmaceutical products
3. the distribution of pharmaceutical products in the PRC
4. the distribution of pharmaceutical products and the provision of medical services in the PRC
5. the provision of information technology services in the PRC
6. dormant
7. the provision of the marketing and promotion services in respect of pharmaceutical products in the PRC

The following is certain unaudited consolidated financial information of the Target Group for the years ended 31 December 2019 and 2020:

	For the year ended 31 December 2019 *Approximately RMB'million*	**For the year ended 31 December 2020** *Approximately RMB'million*
Turnover	694.7	838.1
Profit before taxation	96.9	104.4
Profit after taxation	72.4	75.1

As at 31 December 2020, the unaudited consolidated total asset value and unaudited consolidated net asset value of the Target Group were approximately RMB1,181.1 million and RMB740.6 million respectively.

As at the Latest Practicable Date, the Group is interested in approximately 7.87% of the issued share capital of the Target Company and the Group's investment in the Target Group is classified as an equity instrument at fair value through other comprehensive income. Immediately after Completion, the Group will cease to hold any equity interest in each member of the Target Group.

VALUATION OF FAIR VALUE OF THE SALE SHARES

The Target Group has a complicated capital structure as there are different tranches of preferred shares, each issued at different prices with conversion rights, which would cause each tranche of preferred shares to have different points of conversion. The following table summarises the different classes of preferred shares of the Target Group:

Series A-1 Preferred Shares

Initial Investment Date	8 October 2018
No. of Shares Acquired	84,000
Price Per Share *(USD)*	USD61.56
Price Per Share *(RMB)*	RMB418.93

Series A-2 Preferred Shares

Initial Investment Date	8 October 2018
No. of Shares Acquired	112,100
Price Per Share *(USD)*	USD94.68
Price Per Share *(RMB)*	RMB644.32

Series A-3 Preferred Shares

Initial Investment Date	11 October 2018
No. of Shares Acquired	113,379
Price Per Share *(USD)*	USD70.56
Price Per Share *(RMB)*	RMB480.17

Series A-4 (2018) Preferred Shares

Initial Investment Date	11 October 2018
No. of Shares Acquired	386,550
Price Per Share *(USD)*	USD82.78
Price Per Share *(RMB)*	RMB563.36

Series A-4 (2020) Preferred Shares

Initial Investment Date	2 April 2020
No. of Shares Acquired	316,053
Price Per Share *(USD)*	USD82.78
Price Per Share *(RMB)*	RMB563.36

Note:

1. All the Price Per Share Data is provided by the management of the Target Company, both the USD and RMB Equivalent.

In accordance with the terms and conditions of the Series A Preferred Shares, if the Target Company does not have a qualified IPO by 31 December 2022, each holders of Preferred Shares has the right to redeem the shares. Two scenarios, namely, no IPO scenario and IPO scenario, were adopted for the Valuation.

In the event that there is no qualified IPO, the valuation of the Sale Shares involves two steps:

1. the valuation of the Target Group

2. the allocation of the value of the Target Group to each share class, with consideration of the characteristics such as conversion price in such a way that the total value of all the share classes equals to the value of the Target Group. The Black-Scholes Option Pricing Model is employed.

In the event when a qualified IPO occurs, all Preferred Shares will automatically be converted, according to their terms, to ordinary shares of the Target Group. The value of each share class simply depends on the ordinary shares to which it is converted.

In the valuation, the fair value of the Target Group is RMB1,007,000,000 as at 31 December 2020 i.e. the Valuation Date. If the shares in the Target Group are all ordinary shares, then the value of the Sales Shares will be given the same weight as the ordinary shares and thus the value would then be proportional to the percentage that they represent in the Target Company, i.e. RMB1,007,000,000 x 8.11% (i.e. the shareholding of the Group in the Target Company as at the Valuation Date) or approximately RMB81,700,000.

However, some shares in the Target Group are different classes of Preferred Shares issued at different prices rather than simple ordinary shares. When a Qualified IPO occurs, these Preferred Shares will automatically be converted into ordinary shares on a one-on-one basis. In this scenario, the value of the Sales Shares will not change after all the Preferred Shares are converted into ordinary shares because its effective interest in the Target Group remains the same at 8.11% of the Target Group.

In the scenario of no Qualified IPO, holders of Preferred Shares have the option to exercise a conversion option inherent to the Preferred Shares should they consider beneficial to them. Therefore, the value of the Preferred Shares in this scenario is higher than that of the ordinary shares. In addition, holders of Preferred Shares have the option to demand redemption of the Preferred Shares at the redemption price of 100% of the applicable Series A Original Issue price plus 10% annual simple return in accordance with the terms and conditions of the Series A Preferred Shares. This option is valuable because holders of Preferred Shares could have an upside on returns whilst ordinary shares holders do not have such option and effectively guaranteed a floor of 100% of the applicable Series A Original Issue price plus 10% annual simple return in the value of the Preferred Shares. Furthermore, Preferred Shares have a liquidation preference, i.e., they are ranked higher than ordinary shares in claims against the assets of the Target Group in case of liquidation. The liquidation right holders of Preferred Shares entitled to equals to 110% of the applicable Series A Original Issue Price plus all dividends declared and unpaid with respect thereto per Series A Preferred Share. The right of optional redemption and liquidation preference of Preferred Shares provide more protection to their holders' investments than holders of ordinary shares and are therefore valuable. All these options could be valued by means of an appropriate option pricing model.

Since holders of ordinary shares have the last claims on the profit and assets of a company, they will only get whatever is remaining after all the obligations to Preferred Shares have been fully settled. Based on the above, the Preferred Shares are more valuable than ordinary shares. Since the aggregate value of all Preferred Shares and ordinary shares must equal the value of the Target Group, in the case where the Target Company still has two classes of shares and in light of the above analysis which has drawn a conclusion that the Preferred Shares are more valuable than the ordinary shares, the value of the ordinary shares must be less than the simple proportionate value of approximately RMB81,700,000 mentioned above. The value of the Sales Shares is estimated by deducting the values of the different classes of Preferred Shares, determined by using the Black-Scholes Option Pricing Model taking into account their conversion option, redemption option and liquidation preference successively.

The following sets out further information on the valuation of the fair value of the Sale Shares by the Valuer as at the Valuation Date:

a. The selection criteria of valuation methodology

Due to the complex capital structure and the nature of terms of the preferred shares of the Target Group, the Valuation utilises multiple methodologies. With the understanding of the terms of the preferred shares, the Valuer chose to adopt a scenarios analysis to reach their conclusion on the value of the shares, the key terms that led to the decision are set out below.

Optional Conversion	Any Preferred Share may, at the option of the holder thereof, be converted at any time into fully paid and non-assessable ordinary shares based on the then effective applicable conversion price.
Automatic Conversion	Without any action being required by the holders of the Preferred Shares, each Preferred Share shall automatically be converted based on the then effective applicable conversion price, into ordinary shares upon a qualified IPO.
Optional Redemption	The failure by the Target Company to complete a Qualified IPO prior to 31 December 2022 (or 31 December 2023, if the expected Qualified IPO initiated prior to 31 December 2022 is deferred or suffers substantial obstacles), the holders have the option to send a request for redemption.

	The redemption price shall be 100% of the applicable Series A Original Issue price plus 10% annual simple return (calculated from the date of the applicable investment date to actual payment date of the redemption price) and any declared but unpaid dividends.
Liquidation Preference	An amount equal to 110% of the applicable Series A Original Issue Price plus all dividends declared and unpaid with respect thereto per Series A Preferred Share, shall be paid to each holder of the Series A Preferred Shares.

Two scenarios were adopted for the Valuation based on the terms of the Preferred Shares.

No IPO	Based on the terms and conditions of the Series A Preferred Shares, if the Target Company does not have a qualified IPO by 31 December 2022, each holder of Preferred Shares has the right to redeem the shares. This scenario accounts for the right to redeem, the right to convert, and the liquidation preference of each Series A Preferred Share.
IPO	Based on the terms and conditions of the Series A Preferred Shares, if the Target Company has a qualified IPO by 31 December 2022, the Preferred Shares will automatically be converted into ordinary shares.

The steps of the Valuation are as follows.

1. The overall value of the Target Group is derived.

2. Utilising the Black-Scholes Option Pricing Model to allocate the overall value of the Target Group to each share class in the No IPO scenario.

3. Based on the overall value of the Target Group, calculate the value of the Sale Shares under the condition of automatic conversion of all the Preferred Shares into ordinary shares in the IPO scenario.

4. Applying a probability for each scenario to arrive at the probability weighted average of the Sales Shares.

To derive the overall value of the Target Company, the Valuer considered the following valuation approaches.

Cost Approach – The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. This approach is the most practical way to produce a reliable valuation without a known established market. Unlike market and income approaches which incorporate either market sentiments or future earnings capacity of an asset as a function to determine its current value, the cost approach considers the fundamental cost that takes to form the asset.

Market Approach – In this approach, the value of an asset is appraised with reference to market prices of similar assets. A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. relative to the market comparative. Assets for which there is an established market may be appraised by this approach.

There are two methods to implement the market approach:

The Guideline Transaction Method – In the first market approach, transaction data for private and public companies is used to compute the value. In this method, a database of buy and sale records of enterprises with financial fundamentals on companies similar to the subject company is used as basis for transaction prices.

The Guideline Public Company Method – In the second market approach, the valuation multiples derived from the market prices and financial data of listed companies in a similar business is used to appraise the subject company.

Income Approach – In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present value. This method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its underlying business operation.

Approach Adopted – In the valuation exercise, the Valuer believed that the Market Approach would be appropriate and reasonable in the appraisal for the fair value of the Target Group. The fair value of the Target Group has been developed through the Guideline Public Company Method. Since there are sufficient public companies in a similar business and with a similar business model as those of the company being valued with shares being traded freely and actively on the markets, their market values capture current market expectations of the corresponding industry thus are good indicators of the industry. Hence, this method is adopted in the Valuation.

To derive the overall value for the share class for the No IPO scenario, the Valuer adopted the Option Pricing for Equity Allocation Model (the "**OPM**").

The OPM is a tool for allocating the total equity value to individual ownership classes in a complex capital structure. Such as when a business has multiple classes of preferred and/or ordinary shares with differing economic rights, the OPM is an effective tool for differentiating the value of the various ownership classes. As a result, the OPM is a commonly used method for allocating equity value between ordinary and preferred shares. The OPM is more quantitative as it relies on the Black-Scholes-Merton model. Although the Black-Scholes-Merton formula was not designed for private companies, the accounting profession applies it in various situations, ranging from stock options to common equity valuation, and it is the basis for the OPM. A reference for the allocation model can be found in the Journal of Accountancy, the paper is titled Allocating Value Among Different Classes of Equity by Andrew C. Smith and Jason C. Laurent.

In the IPO scenario, because of the auto conversion of all Preferred Shares, the need for OPM is not required. The IPO scenario simply allocates the equity value to all ordinary shareholders on a fully diluted basis.

b. The key basis of assumptions and parameters adopted

The main assumption and parameter adopted for the scenario analysis is listed below.

I. The probability for IPO was advised by the management team of the Target Company.

The main assumption and parameters for the overall value of the Target Group are listed below:

(a) The Valuer has assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Target Group.

(b) As part of the analysis of the Valuer, the Valuer has reviewed the information related to the Valuation, which is made available to the Valuer. The Valuer has no reason to doubt the accuracy and fairness of such information on which the Valuer has relied to a considerable extent in arriving at its opinion of value.

(c) A discount for the lack of marketability ("**DLOM**") of 15.80% is applied due to the Target Company is closely held company that is not freely marketable, according to the "2018 Stout Restricted Stock Study Companion Guide" published by Stout Risius Ross, LLC.

The selection criteria and summary of the Guideline Public Companies are set out below:

a. The companies are principally engaged in healthcare supply chain related business;

b. More than 50% of the company's revenue is from China;

c. Shares of the companies are listing in a major stock exchange and have been actively trading for a reasonable period of time; and

d. Detailed financial and operational information in respect of the companies is available at Bloomberg or other publicly available sources.

Guideline Public Company 1

Ticker:	000950 CH Equity
Name:	CQ Pharmaceutical Holding Co., Ltd.
Exchange:	Shenzhen
Description:	C.Q. Pharmaceutical Holding Co., Ltd. wholesales drugs. The company distributes antibiotic drugs, respiratory drugs, cardiovascular drugs, vitamin tablets, health care drugs, and other related products. C.Q. Pharmaceutical Holding Co., Ltd. also provides medical equipment wholesale, terminal distribution, warehousing logistics services.

Guideline Public Company 2

Ticker:	002433 CH Equity
Name:	Guangdong Taiantang Pharmaceutical Co., Ltd
Exchange:	Shenzhen
Description:	Guangdong Taiantang Pharmaceutical Co., Ltd. develops, manufactures, and sells Chinese pharmaceuticals. The company produces infertility medicines, skin type ointments, and cardiovascular drugs. Guangdong Taiantang Pharmaceutical Co., Ltd. also conducts e-commerce businesses.

Guideline Public Company 3

Ticker:	002462 CH Equity
Name:	Cachet Pharmaceutical Co., Ltd
Exchange:	Shenzhen
Description:	Cachet Pharmaceutical Co., Ltd manages pharmaceutical services, wholesale and retail businesses. The company also operates the logistics services related to pharmacy.

Guideline Public Company 4

Ticker:	200028 CH Equity
Name:	China National Accord Medicine Corp. Ltd.
Exchange:	Shenzhen
Description:	China National Accord Medicines Corp. Ltd. develops and manufactures pharmaceuticals. The company also wholesales and retails patent medicines, Chinese traditional medicines, biological products, healthcare products, and medical instruments.

Guideline Public Company 5

Ticker:	300122 CH Equity
Name:	Chongqing Zhifei Biological Products Company Ltd.
Exchange:	Shenzhen
Description:	Chongqing Zhifei Biological Products Company Ltd. researches, manufactures, and sells vaccines and biological products including prevention products, blood products, diagnostic reagents, and therapeutic agents.

Guideline Public Company 6

Ticker:	600056 CH Equity
Name:	China Meheco Co Ltd
Exchange:	Shanghai
Description:	China Meheco Co Ltd operates an import and export business. The company trades pharmaceutical products, paper making machinery, and aluminum extruders. CNTIC Trading also imports patent technologies and industrial techniques.

Guideline Public Company 7

Ticker:	600511 CH Equity
Name:	China National Medicines Corp. Ltd.
Exchange:	Shanghai
Description:	China National Medicines Corp. Ltd. wholesales and retails chemical material medicines, western medicine preparations, biochemical medicines, biological products, and Chinese traditional medicines. Through its subsidiaries, the company also manufactures pharmaceuticals including injections, capsules, tablets, and other related products under the CNCM brand name.

Guideline Public Company 8

Ticker:	600829 CH Equity
Name:	HPGC Renmintongtai Pharmaceutical Corporation
Exchange:	Shanghai
Description:	HPGC Renmintongtai Pharmaceutical Corporation operates as a pharmaceutical distribution company. The company wholesales and retails Chinese and Western medicines, Chinese herbal medicines, expensive medicinal materials, health products, daily necessities, glass instruments, chemical reagents, and other products. HPGC Renmintongtai Pharmaceutical Corporation conducts businesses in China.

Guideline Public Company 9

Ticker:	600998 CH Equity
Name:	Jointown Pharmaceutical Group Co., Ltd.
Exchange:	Shanghai
Description:	Jointown Pharmaceutical Group Co., Ltd. wholesales drugs. The company distributes antibiotic drugs, respiratory drugs, cardiovascular drugs, vitamin tablets, health care drugs, and other related products. Jointown Pharmaceutical Group Co., Ltd. also markets medical instruments.

Guideline Public Company 10

Ticker:	601607 CH Equity
Name:	Shanghai Pharmaceuticals Holding Co., Ltd
Exchange:	Shanghai
Description:	Shanghai Pharmaceuticals Holding Co., Ltd manufactures pharmaceuticals. The company develops and sells chemical and Chinese traditional medicines, healthcare products, and other products. Shanghai Pharmaceuticals Holding Co., Ltd. markets its products throughout China.

Guideline Public Company 11

Ticker:	603368 CH Equity
Name:	Guangxi Liuzhou Pharmaceutical Co., Ltd.
Exchange:	Shanghai
Description:	Guangxi Liuzhou Pharmaceutical Co. Ltd. manufactures pharmaceuticals. The company researches, develops, produces, processes, and distributes capsules, granules, tablets, pills, plasters, and raw material medicines.

Guideline Public Company 12

Ticker:	401 HK Equity
Name:	Wanjia Group Holdings Ltd
Exchange:	Hong Kong
Description:	Wanjia Group Holdings Ltd is a wholesaler and distributor and retail chain operator of pharmaceutical and healthcare products in Fujian Province in the PRC.

Guideline Public Company 13

Ticker:	574 HK Equity
Name:	Pa Shun International Holdings Limited
Exchange:	Hong Kong
Description:	Pa Shun International Holdings Limited operates as a pharmaceutical distributor. The company mainly wholesales and distributes medicines and health care products. Pa Shun International Holdings Limited also operates drugstores.

Guideline Public Company 14

Ticker:	1099 HK Equity
Name:	Sinopharm Group Co. Ltd.
Exchange:	Hong Kong
Description:	Sinopharm Group Co. Ltd. provides pharmaceutical supply chain services. The company offers pharmaceutical manufacturing, pharmaceutical distribution, medical devices marketing, logistics and delivery, and other services. Sinopharm Group markets its products throughout China.

Guideline Public Company 15

Ticker:	1110 HK Equity
Name:	Kingworld Medicines Group Ltd.
Exchange:	Hong Kong
Description:	Kingworld Medicines Group Ltd. distributes branded imported pharmaceutical and healthcare products in the PRC. The company distributes pharmaceuticals that include cough and phlegm relieving, gastrointestinal, vitamin, orthopedics, cardiovascular, influenza and others.

Guideline Public Company 16

Ticker: 1345 HK Equity

Name: China Pioneer Pharma Holdings Ltd.

Exchange: Hong Kong

Description: China Pioneer Pharma Holdings Ltd. is a marketing, promotion and channel management service provider dedicated to imported pharmaceutical products and medical devices in China.

Guideline Public Company 17

Ticker: 2289 HK Equity

Name: Charmacy Pharmaceutical Co., Ltd.

Exchange: Hong Kong

Description: Charmacy Pharmaceutical Co., Ltd. wholesales and distributes pharmaceutical drugs. The company distributes healthcare medicine, traditional Chinese drinking tablets, traditional Chinese medicine, and other related products. Charmacy Pharmaceutical Co., Ltd. also distributes medical apparatus and instruments and cosmetic products.

Guideline Public Company 18

Ticker: 6833 HK Equity

Name: Sinco Pharmaceuticals Holdings Limited

Exchange: Hong Kong

Description: Sinco Pharmaceuticals Holdings Limited is a provider of marketing, promotion and channel management in the PRC pharmaceutical industry. The company also provides plasma-based pharmaceuticals.

To derive the overall value of the Target Group, as stated a market approach was adopted, below are the market parameters considered and a summary of the adopted market parameters.

- Price-to-Revenue
- Price-to-Earnings
- Price-to-Book Value
- Enterprise Value (EV)-to-Earnings Before Interest and Taxes (EBIT)
- Enterprise Value (EV)-to-Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)

The valuation multiples considered inappropriate in this Valuation are:

2. The Price-to-Revenue ratio is considered not appropriate since revenue does not take into account the profitability of a company, which affects its value.

3. Price-to-Book Value ratio is considered not appropriate for this Valuation because book value captures only the tangible assets of a company which, if a company creates any market value added (as reflected by a price to book value ratio of larger than 1), should have its own competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price-to-book value ratio and so it is not a good measurement of the market value of a company. As per Pablo Fernandez, PricewaterhouseCoopers Professor of Corporate Finance, IESE Business School, book value bears little relationship to market value, only if the company adds no value.

The valuation multiple considered appropriate and adopted in this Valuation is:

4. Price-to-Earnings ratio – This is one the most commonly employed valuation multiples. It relates the market value of a company's equity to its normalised earnings, an important driver of shareholder value. This multiple is derived by dividing the market capitalisation of the underlying company as of the Valuation Date to its Trailing Twelve Months (TTM) historical earnings (excludes non-operating gain/loss) as at the Valuation Date.

Regarding the EV/EBIT and EV/EBITDA multiples, a cross check valuation was performed, and the difference in valuation was less than 5% compared to the valuation results of the P/E multiple. As the P/E multiple is the most adopted multiple and it is the most straightforward and easy to understand multiple for the various stakeholders, the P/E multiple was the only one adopted for the Valuation.

Below are all the P/E multiples of the Guideline Public Companies:

Guideline Public Company	P/E Ratio
000950 CH Equity	11.89
002433 CH Equity	53.82
002462 CH Equity	12.76
200028 CH Equity	6.18
300122 CH Equity	76.78
600056 CH Equity	12.24
600511 CH Equity	24.20
600829 CH Equity	21.66
600998 CH Equity	12.35
601607 CH Equity	12.68
603368 CH Equity	10.43
401 HK Equity	N/A
574 HK Equity	N/A
1099 HK Equity	7.81
1110 HK Equity	19.11
1345 HK Equity	23.14
2289 HK Equity	17.22
6833 HK Equity	10.55

The descriptive statistics of the P/E ratios are below:

Min	6.18
Mean	20.80
Median	12.72
Max	76.78
Standard Deviation	18.63

Statistical analysis was performed on the dataset of the P/E ratio to filter any outliers that were more than 1 standard deviation away from the mean. Therefore, any P/E ratio that was greater than 39.43 and less than 2.17 were excluded from the final list. It is noted that 1099 HK Equity and 200028 CH Equity fall within the bounds of 2.17 to 39.43, therefore their P/E ratio were adopted.

The average P/E multiples of the following guideline public companies is employed in this Valuation after the removal of outliers:

Guideline Public Company	P/E Ratio
000950 CH Equity	11.89
002462 CH Equity	12.76
200028 CH Equity	6.18
600056 CH Equity	12.24
600511 CH Equity	24.20
600829 CH Equity	21.66
600998 CH Equity	12.35
601607 CH Equity	12.68
603368 CH Equity	10.43
1099 HK Equity	7.81
1110 HK Equity	19.11
1345 HK Equity	23.14
2289 HK Equity	17.22
6833 HK Equity	10.55

Applying the average of the valuation multiples is a generally accepted valuation practice. After the removal of outliers based on 1 standard deviation, an average of the valuation multiples of Guideline Public Companies is derived and then applied to the TTM historical earnings of the Target Company as at the Valuation Date to derive the value of its 100% equity value. As a result, the average of the multiple is 14.44 and the unaudited TTM historical earnings of the Target Company as at the Valuation Date is RMB76,003,928.

As the Target Company is a private firm and its shares lack marketability, i.e. they are non-trading and non-marketable, compared to the shares of adopted guideline public companies, an adjustment for the lack of marketability of the equity interest in the Target Company is adopted by the means of a DLOM of 15.80%. The adopted DLOM value is referenced from “2018 Stout Restricted Stock Study Companion Guide” published by Stout Risius Ross, LLC.

c. The underlying formula/calculation adopted in the Valuation

For the 100% Equity Interest of the Target Company

Valuation by P/E Multiple

Applying the average of the valuation multiples is a generally accepted valuation practice. The average of the valuation multiples of guideline public companies is then applied to the TTM historical earnings of the Target Company as at the Valuation Date to derive the value of its 100% equity value. As a result, the average of the multiple is 14.44 and the unaudited TTM historical earnings of the Target Company as at the Valuation Date is RMB76,003,928.

Below is a summary of the of the overall 100% Equity value of the Target Company.

Adopted P/E Ratio	14.44x
TTM earnings of the Target Company	RMB76,003,928
100% equity interest in the Target Company:	RMB1,097,772,510
Less: discount for lack of marketability of the Target Company	15.80%
Add: Non-Operating Net Assets	RMB82,277,936
Adjusted 100% equity interest in the Target Company (Rounded)	RMB1,007,000,000

d. No IPO Scenario

In the scenario of no Qualified IPO, holders of Preferred Shares have the option to exercise a conversion option inherent to the Preferred Shares should they consider beneficial to them. Holders of Preferred Shares have the option to demand redemption of the Preferred Shares at the redemption price of 100% of the applicable Series A Original Issue Price plus 10% annual simple return in accordance with the terms and conditions of Series A Preferred Shares. Furthermore, Preferred Shares have a liquidation preference, i.e., they are ranked higher than ordinary shares in claims against the assets of the Target Group in case of liquidation. The liquidation right holders of Preferred Shares entitled to equals to 110% of the applicable Series A Original Issue Price plus all dividends declared and unpaid with respect thereto per Series A Preferred Share. Whereas, the ordinary shares simply have the right to any residual value of the Target Group after all the liabilities have been paid.

Seven tranches, i.e. Tranches A to G, were adopted for the Valuation in the case of no-IPO scenario. Further descriptions of each Tranche A to G are set out as follows:

- Tranche A is the liquidation preference as described in the terms.

- Tranche B is the leftover value for the ordinary shareholders when none of the preferred shareholders would exercise their right to convert and after the full redemption of all the Preferred Shares.

- Tranches C to G are the tranches of which the holders of Preferred Shares would choose to convert their respective Preferred Shares into ordinary shares as it is more economically beneficial for them to do so due to the equity value of the ordinary shares after conversion being greater than or equal to its corresponding redemption value of the Preferred Shares.

The reason for only having Tranches C to G is because the Target Company has 5 types of holders of Preferred Shares (including holders of Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series A-3 Preferred Shares, Series A-4 (2018) Preferred Shares and Series A-4 (2020) Preferred Shares), under different assumed 100% equity value of the Target Group, where the holders of Preferred Shares of the Tranches C to G would exercise their right to convert on a fully diluted basis due to the equity value of the conversion being greater than or equal to its corresponding redemption value. After Tranche G, all the Preferred Shares have already been converted and no further Tranches are required. The holders of Preferred Shares have liquidation preference in Tranche A and full redemption in Tranche B. The allocation model is employed to allocate the Target Group's value to the different share classes in the capital structure according to their respective features such as conversion rights and liquidation preference. As mentioned above, the Preferred Shares are more valuable than ordinary shares due to its features of liquidation preference and optional redemption and conversion. The payoff profile of these different classes of Preferred Shares, when the liquidation preference, conversion option or redemption option are exercised, is the same as options. For example, if an investor decides to exercise the conversion option of the Preferred Shares, the claim for the original investment will be forgone in return for ordinary shares of the Target Company. This option is therefore valued as a call option.

Redemption value represents the value obtained by the holders of Preferred Shares when the holders of Preferred Shares exercise the right of optional redemption.

Five different types of holders of Preferred Shares have different redemption value. Based on the corresponding redemption value, the assumed 100% equity value of the Target Group is derived, which is the strike price.

The strike price in each Tranche is used to derive the call option value in that Tranche by applying the Black-Scholes-Merton formula. The call option value is then used to calculate the tranche value, which is the difference between two adjacent values of call option in the adjacent Tranches.

Tranche A The liquidation preference of the Series A Preferred Shares is the principal amount of RMB766,971,313 based on the terms of the Series A Preferred Shares. In this tranche, the Series A Preferred Shares would be fully redeemed as the holders of Preferred Shares would exercise their right to liquidation preference.

Tranche B The distribution to Ordinary Shares before the holders of Preferred Shares would exercise their right to convert on a fully diluted basis. This is the tranche where it is not economic beneficial for any of the Preferred Shares to convert into ordinary shares. Therefore, the Preferred Shares would rather be redeemed and all residual value will be allocated to the Ordinary Shares.

Tranches C to G Under different assumed 100% equity value of the Target Group, where the holders of Series A Preferred Shares of the following tranches would exercise their right to convert on a fully diluted basis due to the equity value of the conversion being greater than or equal to its corresponding redemption value as listed below. The redemption value is then used to derive a price per share, that is turned into assumed 100% of the estimated equity value of the Target Group as at 31 December 2022, which is the corresponding strike price as listed below.

Tranche	Tranche of Series A Preferred Shares	Corresponding redemption value	Corresponding strike price
Tranche C	Series A-1 Preferred Shares	RMB50,077,694	RMB1,196,072,922
Tranche D	Series A-1 and Series A-3 Preferred Shares	RMB77,428,244	RMB1,370,122,549
Tranche E	Series A-1, Series A-3 and Series A-4(2020) Preferred Shares	RMB226,967,055	RMB1,440,722,900
Tranche F	Series A-1, Series A-3, Series A-4(2018) and Series A-4(2020) Preferred Shares	RMB309,712,976	RMB1,607,482,855
Tranche G	Series A-1, Series A-2, Series A-3, Series A-4(2018) and Series A-4(2020) Preferred Shares	RMB102,785,345	RMB1,839,578,021

For the No IPO Scenario of the scenario analysis, the Valuation is as follows.

The tranche values are the equity value available for distribution to the different share classes which are entitled to different economic payoffs based on the terms and time of investment. The sum of all tranche value will equal the 100% equity value of the Target Group.

The call option value is derived using the Black-Scholes-Merton formula. The fact is that any option model can be used to price the call option value for the allocation model, but the Black-Scholes-Merton Model is one of the most widely accepted models used to price any sort of option.

The parameters for each Tranche in the OPM are set out below.

Current stock price represents the current 100% of equity value of the Target Group which is RMB1,007,000,000. Risk-free interest rate of 2.538% is derived using the China's government bond interest rate.

Strike price represents assumed 100% of the estimated equity value of the Target Group as at 31 December 2022. For each Tranche A to G, the Target Group has a different strike price as at 31 December 2022. Different types of the holders of Preferred Shares would choose to convert at the relevant strike price because it is more economically beneficial for them to do so because the return on value would be higher than the redemption value of the preferred shares. Tranches A and B have a strike price of 0 and RMB766,971,313 respectively. Please refer to the sub-section headed "VALUATION OF FAIR VALUE OF THE SALE SHARES – d. No IPO Scenario" above for further details of the strike price for Tranches C to G.

Time to maturity is 2 years, which is the amount of time remaining until 31 December 2022, from the Valuation Date.

The volatility is 43.54%, which is the mean of the historical volatility of the share price of the adopted guideline public companies in the period of 2 years prior to the Valuation Date, which is commensurate to the time to maturity.

For a deeper dive into how the Value Per Share for the ordinary shares is derived, the ordinary shares were allocated value in all tranches except Tranche A, because it did not share the liquidation preference value of the Preferred Shares. The distribution is based on a *pari passu* basis. For the ordinary shares, Tranche B represents a company valuation where, it is not beneficial for any of the Preferred Shares to be converted, therefore in this tranche, the tranche value is 100% allocated to the ordinary shares, which is the tranche value of RMB176,827,204 distributed to all ordinary shares. Tranche C where it is beneficial for PS A-1 to convert, therefore in this tranche the value is allocated to both the PS A-1 and ordinary shares, because the PS A-1 shares have converted. Therefore, the tranche value of RMB44,468,784 is distributed 8% to PS A-1 and 92% to ordinary shares. This represents the total percent of holdings based on the total number of PS A-1 and ordinary shares due to the conversion. Tranche D is like Tranche C, where this is the point where PS A-1 and PS A-3 would convert into ordinary shares, therefore the value is distributed to PS A-1, PS A-3, and ordinary shares. Therefore, the tranche value of RMB14,887,989 is distributed by allocating 7% to the PS A-1, 10% to PS A-3, and 83% to ordinary shares. The logic of Tranche C and Tranche D continues with Tranches E to G. These are points in valuation where each Preferred Share will choose to convert into ordinary shares because it is of greater benefit to the shareholders compared to redeeming the Preferred Shares.

Illustration of the Allocation to Ordinary Shares

Tranche	Tranche Value	Percent Allocated to Ordinary Shares (rounded up to integral number)	Value
A	RMB631,019,396	0%	RMB0
B	RMB176,827,204	100%	RMB176,827,204
C	RMB44,468,784	92%	RMB41,004,336
D	RMB14,887,989	83%	RMB12,421,875
E	RMB29,313,785	66%	RMB19,330,842
F	RMB30,182,701	52%	RMB15,842,028
G	RMB80,300,141	50%	RMB39,792,273
		Total	RMB305,218,558
		Total Number of Ordinary Shares	994,203
		Price Per Ordinary Share	RMB307

IPO by 31 December 2022	
Number of Ordinary Shares Owned	162,806
Price Per Ordinary Share	RMB307.00
Fair Value of All Ordinary Shares	RMB49,981,153

e. IPO Scenario

The Valuer assumes the followings under the successful IPO by 31 December 2022: (i) the Target Company will complete the IPO by 31 December 2022 in order to provide the greater benefit to all shareholders and the Target Company; (ii) the Target Company will apply for listing in Hong Kong mainboard; and (iii) the Target Company will meet all listing requirements in Hong Kong mainboard. The adopted probabilities for each scenario are 40% for the IPO by 31 December 2022 scenario and 60% for the No IPO by 31 December 2022 scenario. The probabilities are based on the result on historical IPO for the Hong Kong mainboard data from 2018–2020. Pursuant to the source from https://www1.hkexnews.hk/app/appindex.html, the total applications of IPO for the Hong Kong mainboard are 360, 357 and 285 in 2018, 2019 and 2020 respectively, which the applications under listed status are 149, 151 and 118 in 2018, 2019 and 2020 respectively. Accordingly, approximately 40% applications were granted listed status for the Hong Kong mainboard for each year from 2018–2020.

IPO by 31 December 2022	
Number of Ordinary Shares Owned	162,806
Total number of Ordinary Shares	2,006,285
Total Target Company Value	RMB1,007,000,000
Price Per Share Based on Total Target Company Value divided by Total number of Ordinary Shares	RMB501.92
Fair Value of Holdings	RMB81,716,028

f. Calculation of Fair Value

The Overall calculation for each scenario.

Weighted Average Calculation Formula

40% × Successful IPO by 31 December 2022 Scenario + 60% × No IPO by 31 December 2022 Scenario

No IPO by 31 December 2022	
Number of Ordinary Shares	162,806
Price Per Ordinary Share	RMB307.00
Fair Value of All Ordinary Shares	RMB49,981,153

IPO by 31 December 2022	
Number of Ordinary Shares Owned	162,806
Total number of Ordinary Shares (upon conversion of all Preferred Shares)	2,006,285
Total Target Company Value	RMB1,007,000,000
Price Per Share Based on Total Target Company Value divided by Total number of Ordinary Shares	RMB501.92
Fair Value of Holdings	RMB81,716,028

Based on the probability provided by management, below is the value of the % beneficially held by the Vendor on a probability weighted basis.

Fair Value as of Valuation Date	RMB62,675,092

Due diligence work conducted by the Company on the fairness and reasonableness of the Valuation

The Company has performed the due diligence work when assessing the fairness and reasonableness of the Valuation methodology as follows:

1. The overall fair value of the Target Group

The Company compared the appropriateness of different approaches, including income approach, cost approach and market approach, The Company considered that the Target Group operates a well-established business and the cost approach is not appropriate as it could not take into account any of the valuable intangible assets the Target Group owns. The Company also studied the income approach, the principle of which is that the value of an asset is the present worth of the expected future economic benefits of ownership. This approach eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its underlying business operation. However, the income approach involves a lot of assumptions including financial forecast of the Target Group. Therefore, the Company considered that the income approach is not the best option for the Valuation because of the uncertainties in the financial forecast needed which may affect the value assessed. The Company also reviewed the market approach in which the value of an asset is appraised with reference to market prices of similar assets. As a general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. relative to the market comparative. The Company concluded that the market approach is the most appropriate and reasonable approach for the appraisal of the fair value of the Target Group because it is the most objective and less assumptions have to be relied on. In the Valuation, the fair value of the Target Group has been developed based on the Guideline Public Company Method. Since there are sufficient public companies engaging in similar businesses and with a similar business model as those of the Target Group being valued with shares being traded freely and actively on the markets, their market values capture current market expectations of the corresponding industry thus are good indicators of the industry.

The Company reviewed the assumptions adopted in the market approach and no irregularities were noted.

The Company reviewed the selection criteria and summary of the Guideline Public Companies and agreed that the selected Guideline Public Companies met the selection criteria and no irregularities were noted. The Company studied the businesses of the adopted Guideline Public Companies and agreed that they are similar in terms of business nature and geographic distribution of revenue to the Target Group.

The Company checked the calculations and the underlying supporting documents of the P/E multiple and no errors were noted.

The Company checked the calculations of the adjusted 100% equity interest in the Target Group and no errors were noted.

2. The fair value of the various classes of equity of the Target Company

The Company checked the websites of some professional bodies such as The American Institute of Certified Public Accountants, the world's largest member association representing the accounting profession, regarding the valuation of different classes of shares. The OPM is regarded as one of the most reasonable and practical ways to assess the fair value of different share classes. The Company conducted research on the prospectuses of certain listed companies in Hong Kong, e.g. InnoCare Pharma Limited (Stock Code: 9969), HBM Holdings Limited (Stock Code: 2142) and Pop Mart International Group Limited (Stock Code: 9992). In these cases, the companies adopted the OPM in determining the fair value of preferred shares. The Company believes that the OPM is a commonly used and widely adopted methodology in evaluating the value of a company with different classes of shares and with a probability of listing of shares.

Further, the Company discussed the Valuation with the Valuer during the course of the Valuation and no any irregularities were noted. The Company has also reviewed all input parameters applied in the Valuation such as the risk-free interest rate, the assumptions of liquidity event, the annualised volatility etc., counter-checked the supporting documents provided and the terms of the Preferred Shares and no irregularities were noted.

The Company examined the credential of the Valuer, Ascent Partners Valuation Service Limited, which is an international corporate valuation and advisory firm with professional qualification and experience in providing services on business valuation.

The Company also discussed the Valuation and the Valuation methodology with the auditor of the Company and no irregularities were noted.

Taking into account the due diligence work performed above and after careful consideration, the Company believes that the Valuation methodology is fair and reasonable.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 Directors have been constantly scrutinising the businesses of the Group from time to time in order to increase the competitiveness and strengthen the financial position of the Group. The Group will endeavour to maximise return for Shareholders by focusing on proprietary drugs with promising marketing and sales performance and looking for new opportunity to acquire new distribution rights.

As a long-term business strategy, the Group intends to focus on its core businesses of the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in respect of pharmaceutical products in the PRC through reallocating its resources to the future development of the core businesses. The Group has been exploring the possibility of disposing of or downsizing its non-core business or assets. The Group's investment in the Target Group, which has been classified as an equity instrument at fair value through other comprehensive income and whose financial performance is not consolidated into that of the Group, is considered as a non-core asset of the Group. As the Group holds a minority stake in the Target Group without control or significant influence, the business operation of the Target Group is clearly delineated from that of the Group. The Group has been a passive investor in the Target Group and has not been involved in the daily management or operation of the Target Group. The Disposal is in line with the continuing policy of the Group to dispose of or downsizing its non-core business and assets and refocus its resources on its core businesses.

The Group recorded audited net losses of approximately HK$44.1 million and HK$69.7 million for the years ended 31 December 2019 and 2020 respectively. The Disposal, if materialises, will provide an opportunity for the Group to recoup its investment costs and realise a return on its investment, thereby allowing it to concentrate resources to its core business and replenish its working capital.

Having considered (i) the uncertainty brought to the PRC pharmaceutical industry due to the impact of the outbreak of the Covid-19 pandemic; (ii) the intention of the Group to allocate more resources to the core businesses of the Group; and (iii) the replenishment of the working capital of the Group through the Disposal in light of the loss making position of the Group in the recent years, the Directors are of the view that the Disposal, if materialises, represents an opportunity for the Company to realise its investment in the Target Group so as to enable the Group to re-allocate more financial resources to the core businesses of the Group.

Upon Completion, the Group is expected to record a gain of approximately RMB4.5 million (equivalent to approximately HK$5.4 million) from the Disposal. The expected gain from the Disposal is calculated with reference to the difference between (i) the estimated carrying amount of the Sale Shares of approximately RMB62.7 million as at the Completion Date on one part; and (ii) the consideration to be received by the Group for the Disposal of approximately RMB68.0 million; and (iii) the estimated transaction expenses of approximately RMB0.8 million payable by the Group in connection with the Disposal on the other part. The actual amount of gain or loss as a result of the Disposal will be assessed after Completion and is subject to the review and final audit by the auditors of the Company. The Company intends to use the net proceeds from the Disposal for the general working capital of the Group, future development of the Group's businesses and/or funding any potential acquisitions of new distribution rights if opportunities arise.

The terms of the Share Repurchase Agreement were determined after arm's length negotiations between the Vendor and the Purchaser. Having considered the reasons for and benefits of the Disposal as mentioned above, the Directors are of the view that the terms of the Share Repurchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors expect that the Disposal will not have a material impact on the earnings of the Company as the Target Group has not been consolidated into the financial statements of the Company by virtue of it being an equity instrument at fair value through other comprehensive income of the Group. It is estimated that upon Completion, the Company will record (i) an increase in the total assets of approximately RMB4.5 million (equivalent to approximately HK$5.4 million), being the difference between the net proceeds from the Disposal (after deducting transaction costs and expenses) less the carrying amount of the Group's interest in the Target Group as an equity instrument at fair value through other comprehensive income as at the Completion Date; and (ii) no effect on its total liabilities. The actual amount of the carrying amount of the Group's interest in the Target Group as an equity instrument at fair value through other comprehensive income as at the Completion Date will be assessed after Completion and is subject to the review and final audit by the auditors of the Company.

Completion is subject to the satisfaction of the conditions precedent as described in this circular and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

LISTING RULES IMPLICATION

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

SGM

The SGM will be held for the purpose of among other matters, considering and, if thought fit, approving the Share Repurchase Agreement and the transactions contemplated thereunder.

A notice convening the SGM to be held at 9:00 a.m. on Thursday, 2 September 2021 at Units 1203B, 1204–1205, 12/F, Worldwide House, 19 Des Voeux Road Central, Central, Hong Kong is set out on pages SGM-1 and SGM-3 of this circular. A form of proxy for use by the shareholders of the Company at the SGM is enclosed herein.

In accordance with the Listing Rules, the resolution to be proposed at the SGM will be voted on by way of poll.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. As such, no Shareholder is required to abstain from voting at the SGM in respect of the resolution approving the Disposal.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event by 9:00 a.m. (Hong Kong time) on Tuesday, 31 August 2021 or not less than 48 hours before the time appointed for holding any adjournment of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Closure of register of members

To ascertain a member's entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 30 August 2021 to Thursday, 2 September 2021 (both days inclusive), during which no transfer of Shares will be registered. The last registration date to determine the eligibility to attend the SGM will be on Friday, 27 August 2021. In order to qualify for the entitlement to attend and vote at the SGM, all transfer documents, together with the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 27 August 2021.

Precautionary Measures for the SGM

Please see the section headed "PRECAUTIONARY MEASURES FOR THE SGM" in this circular for measures being taken to try to prevent and control the spread of Covid-19. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights.

RECOMMENDATION

The Directors consider that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution as set out in the notice of SGM.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 6 October 2017 by the Stock Exchange as directed by the Securities and Futures Commission in accordance with its direction issued under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V, the Laws of Hong Kong). Trading in the Shares will remain suspended until further notice.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. INDEBTEDNESS STATEMENT

As at the close of business on 20 June 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had total indebtedness as summarised below:

Lease liabilities

As at 20 June 2021, the Group had total outstanding lease liabilities of approximately HK$1.7 million.

Pledge of assets

As at 20 June 2021, the Group pledged the buildings and right-of-use assets with an aggregate carrying amount of approximately HK$9.5 million to a bank as security for the banking facilities granted to the Group.

Save as disclosed above, apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, which include marketing and storage fees, operational expenses, salaries and benefits of employees, fees to professional advisers and taxes payable, the Group did not have any other outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank or other borrowings, mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, guarantee, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or other finance lease commitments or other contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal financial resources presently available to the Group, in the absence of unforeseeable circumstances, the Group has sufficient working capital for its present requirements that is for at least the next 12 months following the date of this circular.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

4. FINANCIAL AND BUSINESS PROSPECTS OF THE GROUP

The Group is an established pharmaceutical distributor headquartered in Hangzhou, Zhejiang province. The Group is principally engaged in the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in the PRC, with a focus in Zhejiang province. The Group procures pharmaceutical products throughout the PRC and overseas and sells pharmaceutical products and provides marketing and promotion services through a network of customers spreading over different regions in the PRC.

The Disposal enables the Group to reallocate more resources, in the form of the net proceeds from the Disposal, to 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. The Directors expect that the Group's financial position will remain stable and the Group's revenue will not be impacted after the Disposal as the Target Group has not been consolidated into the financial statements of the Company.

For 2021, the Directors expect that the increase in the Group's revenue will continue, which is primarily attributable to the resumption of the production and sales of the Group's major product under the second generation of Cephalosporins (二代頭孢產品) ("**Product**") (1.0g) since September 2019 after the temporary suspension of the production and sales of the Product (1.0g) in early 2019. However, under the expansion of the centralised drug procurement scheme which aims to control drug prices and improve patients' accessibility to drugs as well as the tightened national health insurance budgets in the PRC, the Directors expect 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.

Although more stringent regulations may create short-term operating pressures, the Chinese government continues to commit resources to and invest in the healthcare sector as part of its long-term healthcare reform plan in the long run. Moreover, the aging population, urbanisation, increase in chronic diseases and household income and the wider coverage of medical insurance in the PRC will drive the demand for medical treatments and use of drugs. The Directors believe that the pharmaceutical industry will be fueled with new opportunities and momentum for growth in the long term. 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company has any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("**SFO**")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO:

Long position in Shares and underlying Shares

Name of substantial shareholders	Capacity	No. of Shares held	Approximate % in the Company's issued share capital as at the Latest Practicable Date *(Note 1)*
Eagle Amber Holdings Limited *(Note 2)*	Beneficial owner	426,672,000	25.52%

Name of substantial shareholders	Capacity	No. of Shares held	Approximate % in the Company's issued share capital as at the Latest Practicable Date *(Note 1)*
Zhang Jiang *(Note 2)*	Interest of a controlled corporation	426,672,000	25.52%
Dai Xiaosong *(Note 2)*	Interest of a controlled corporation	426,672,000	25.52%
Qian Shenglei	Beneficial owner	193,704,000	11.59%
Zhou Ling *(Note 3)*	Beneficial owner and interest of spouse	161,400,000	9.65%
Yang Fang *(Note 3)*	Beneficial owner and interest of spouse	161,400,000	9.65%
China Wah Yan Healthcare Limited ("**China Wah Yan**") *(Note 4)*	Beneficial owner and interest of controlled corporations	137,427,840	8.22%
Junyue International Corporation *(Notes 5 and 6)*	Interest of controlled corporations	103,070,880	6.17%
Tan Sainuo *(Note 6)*	Interest of controlled corporations	103,070,880	6.17%

Notes:

1. The percentage of shareholding is calculated based on the number of the total issued share capital of the Company as at the Latest Practicable Date, i.e. 1,671,846,657 Shares.

2. Eagle Amber Holdings Limited is beneficially owned by Zhang Jiang and Dai Xiaosong as to 35% and 35% respectively. As such, Zhang Jiang and Dai Xiaosong were deemed to be interested in the 426,672,000 Shares held by Eagle Amber Holdings Limited under Part XV of the SFO.

3. Mr. Zhou Ling beneficially owns 132,188,952 Shares. Ms. Yang Fang beneficially owns 29,211,048 Shares. Mr. Zhou Ling is the spouse of Ms. Yang Fang. Accordingly, Mr. Zhou Ling was deemed to be interested in all the 29,211,048 Shares held by Ms. Yang Fang by virtue of the SFO and Ms. Yang Fang was deemed to be interested in all the 132,188,952 Shares held by Mr. Zhou Ling under Part XV of the SFO.

4. Based on the corporate substantial shareholder notice dated 20 December 2019 filed by China Wah Yan, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 648), 34,356,960 Shares were held by China Wah Yan, 21,070,880 Shares were held by Classic Estate Investments Limited, which was wholly owned by China Wah Yan, and 82,000,000 Shares was held by Ultimate Paramount International Limited, which was 50% owned by Classic Estate

Investments Limited. Accordingly, China Wah Yan was deemed to be interested in all the 103,070,880 Shares held by Classic Estate Investments Limited and Ultimate Paramount International Limited under Part XV of the SFO. Based on the corporate substantial shareholder notice dated 20 December 2019 filed by China Wah Yan, the relevant event leading to the filing of the notice is a disposal of residual value in the interest of the relevant shares, subject to the release and/or subsisting share charge over the relevant shares.

5. Based on the corporate substantial shareholder notice dated 20 December 2019 filed by Junyue International Corporation, 21,070,880 Shares were held by Classic Estate Investments Limited, which was wholly owned by Junyue International Corporation, and 82,000,000 Shares was held by Ultimate Paramount International Limited, which was 50% owned by Classic Estate Investments Limited. Accordingly, Junyue International Corporation was deemed to be interested in all the 103,070,880 Shares held by Classic Estate Investments Limited and Ultimate Paramount International Limited under Part XV of the SFO. Based on the corporate substantial shareholder notice dated 20 December 2019 filed by Junyue International Corporation, the relevant event leading to the filing of the notice is an acquisition of certain economic benefits arising from and in connection with Classic Estate Investments Limited.

6. Junyue International Corporation is beneficially wholly owned by Tan Sainuo. As such, Tan Sainuo was deemed to be interested in the 103,070,880 Shares in which Junyue International Corporation was interested under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of SFO.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. LITIGATION

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

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

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

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

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

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

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

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

As at the Latest Practicable Date, 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.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interest in any business which competed or was likely to compete, directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of, or leased to any member of the Group.

7. MATERIAL CONTRACTS

Save as disclosed below, no contracts (not being contract entered into in the ordinary course of business carried out by the Group) had been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date and are, or may be, material:

(a) the sale and purchase agreement dated 30 November 2020 entered into by and among the Vendor as vendor, Wing Yin Holdings Limited ("**Wing Yin**") as purchaser and 青島松山醫藥銷售有限公司 (in English, for identification purpose only, Qingdao Songshan Medicine Sales Co., Ltd.) ("**Guarantor**") as guarantor, in relation to the disposal of 25 ordinary shares of Saike International, representing 25% of its issued share capital at a maximum consideration of RMB44,000,000 (subject to adjustment) ("**SP Agreement**");

(b) the guarantee dated 30 November 2020 executed by the Guarantor in favour of the Vendor to guarantee the performance of obligations by Wing Yin under the SP Agreement;

(c) the Original Share Repurchase Agreement; and

(d) the Supplemental Agreement.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Ascent Partners Valuation Service Limited	Independent property valuer

As at the Latest Practicable Date, the above expert:

(a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinions or advice and references to its name, in the form and context in which they appear;

(b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at Room 911B, 9th Floor, Tower 1, Silvercord, No. 30 Canton Road, Kowloon, Hong Kong.

(c) The company secretary of the Company is Mr. Lai Kwok Wa, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

(d) The share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m., Monday to Friday (except public holidays) at the principal place of business of the Company in Hong Kong at Room 911B, 9th Floor, Tower 1, Silvercord, No. 30 Canton Road, Kowloon, Hong Kong from the date of this circular up to the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 December 2019 and 31 December 2020;

(c) the material contracts referred to in the section headed "Material Contracts" in this Appendix;

(d) the valuation report in respect of the valuation of the fair value of the Sale Shares prepared by Ascent Partners Valuation Service Limited;

(e) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix;

(f) the circular of the Company dated 21 January 2021; and

(g) this circular.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**Meeting**") of New Ray Medicine International Holding Limited ("**Company**") will be held at 9:00 a.m. on Thursday, 2 September 2021 at Units 1203B, 1204–1205, 12/F, Worldwide House, 19 Des Voeux Road Central, Central, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the share repurchase agreement dated 20 April 2021 (as amended and supplemented by the supplemental agreement dated 30 July 2021) (collectively, referred to as the "**Share Repurchase Agreement**") entered into by and between Major Bright Holdings Limited, a wholly-owned subsidiary of the Company, as vendor, and WinHealth International Company Limited (維健國際有限公司) ("**WinHealth International**") as purchaser, in respect of the disposal of 162,806 ordinary shares of WinHealth International at a consideration of RMB68,000,000 in cash, the details of which are set out in the circular of the Company dated 12 August 2021 ("**Circular**") (a copy of which is marked "A" and signed by the chairman of the Meeting for identification purpose and has been tabled at the Meeting), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one of the directors of the Company ("**Directors**") be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Share Repurchase Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided for in the Share Repurchase Agreement) as are, in the opinion of such Director, in the interest of the Company and its shareholders as a whole."

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

Hong Kong, 12 August 2021

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Headquarters:
B–C, 37/F
Dikai International Center
19 Dangui Road
Hangzhou, the PRC

Principal place of business in Hong Kong:
Room 911B, 9th Floor
Tower 1, Silvercord
No. 30 Canton Road
Kowloon, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend the Meeting and vote on his behalf. A proxy needs not be a member of the Company but must attend the Meeting in person to represent the member of the Company.

2. A form of proxy for use at the Meeting and its adjournment (if any) is enclosed herewith.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. In order to be valid, a form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon as soon as possible and in any event by 9:00 a.m. (Hong Kong time) on Tuesday, 31 August 2021 or not less than 48 hours before the time appointed for holding any adjourned Meeting. The completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting or any adjournment thereof if he so wish. In that event, his form of proxy will be deemed to have been revoked.

5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. To ascertain a member's entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 30 August 2021 to Thursday, 2 September 2021 (both days inclusive), during which no transfer of Shares will be registered. The last registration date to determine the eligibility to attend the Meeting will be on Friday, 27 August 2021. In order to qualify for the entitlement to attend and vote at the Meeting, all transfer documents, together with the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 27 August 2021.

7. The above resolution will be voted on by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

8. Trading in the Shares has been suspended with effect from 9:00 a.m. on 6 October 2017 by the Stock Exchange as directed by the Securities and Futures Commission in accordance with its direction issued under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V, the Laws of Hong Kong). Trading in the Shares will remain suspended until further notice.

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