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New Ray Medicine
新銳醫藥

New Ray Medicine International Holding Limited

新銳醫藥國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 6108)

DISCLOSEABLE TRANSACTION – COOPERATION AGREEMENT AND INCREASE IN CAPITAL CONTRIBUTION OF THE TARGET COMPANY

THE COOPERATION AGREEMENT

The Board is pleased to announce that after trading hours on 24 May 2024, Zhejiang Xinrui Biopharmaceutical, an indirect wholly-owned subsidiary of the Company, Partner A and Partner B entered into the Cooperation Agreement in respect of, among others, the increase in capital contribution and operation and management of the affairs of the Target Company.

The Target Company was established in the PRC with limited liability on 18 March 2024 with an initial registered capital of RMB1.00 million (equivalent to approximately HK\$1.10 million), and 40%, 39% and 21% of the initial capital contribution shall be paid up in cash by Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B respectively, pursuant to which Zhejiang Xinrui Biopharmaceutical shall contribute an initial capital contribution of RMB0.39 million (equivalent to approximately HK\$0.43 million), and Partner A and Partner B shall contribute an initial capital contribution of RMB0.40 million (equivalent to approximately HK\$0.44 million) and RMB0.21 million (equivalent to approximately HK\$0.23 million) respectively.

Pursuant to the Cooperation Agreement, the registered capital of the Target Company will be increased to RMB34.00 million (equivalent to approximately HK\$37.40 million), and the Parties shall make further capital contribution to the Target Company in proportion to their respective shareholding. In this connection, Zhejiang Xinrui Biopharmaceutical will contribute an additional capital contribution of RMB12.87 million (equivalent to approximately HK\$14.16 million), and the total capital contribution to be made by Zhejiang Xinrui Biopharmaceutical will be RMB13.26 million (equivalent to approximately HK\$14.59 million), which will be funded by the Group's internal resources. Partner A will contribute an additional capital contribution of RMB13.20 million (equivalent to approximately HK\$14.52 million), and the total capital contribution to be made by Partner A will be RMB13.60 million (equivalent to approximately HK\$14.96 million). Partner B will contribute an additional capital contribution of RMB6.93 million (equivalent to approximately HK\$7.62 million), and the total capital contribution to be made by Partner B will be RMB7.14 million (equivalent to approximately HK\$7.85 million). After such additional capital contribution, the Parties' shareholding in the Target Company will remain the same.

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

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

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the total capital contribution payable by Zhejiang Xinrui Biopharmaceutical under the Cooperation Agreement is more than 5% but is less than 25%, the transactions contemplated under the Cooperation Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to notification and announcement requirement under Chapter 14 of the Listing Rules.

The Board is pleased to announce that after trading hours on 24 May 2024, Zhejiang Xinrui Biopharmaceutical, an indirect wholly-owned subsidiary of the Company, Partner A and Partner B entered into the Cooperation Agreement in respect of, among others, the increase in capital contribution and operation and management of the affairs of the Target Company.

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

THE COOPERATION AGREEMENT

Date

24 May 2024

Parties

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

Registered capital and capital contribution

The Target Company was established in the PRC with limited liability on 18 March 2024 with an initial registered capital of RMB1.00 million (equivalent to approximately HK\$1.10 million), and 40%, 39% and 21% of the initial capital contribution shall be paid up in cash by Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B respectively.

Pursuant to the Cooperation Agreement, the registered capital of the Target Company will be increased to RMB34.00 million (equivalent to approximately HK\$37.40 million), and Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B shall make further capital contribution to the Target Company in proportion to their respective shareholding in the Target Company. Accordingly, Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B shall make additional capital contribution in the following manner:

	Initial capital contribution	Additional capital contribution	Total capital contribution to be paid	% of equity interest in the Target Company
Partner A	RMB0.40 million (equivalent to approximately HK\$0.44 million)	RMB13.20 million (equivalent to approximately HK\$14.52 million)	RMB13.60 million (equivalent to approximately HK\$14.96 million)	40%
Zhejiang Xinrui Biopharmaceutical	RMB0.39 million (equivalent to approximately HK\$0.43 million)	RMB12.87 million (equivalent to approximately HK\$14.16 million)	RMB13.26 million (equivalent to approximately HK\$14.59 million)	39%

	Initial capital contribution	Additional capital contribution	Total capital contribution to be paid	% of equity interest in the Target Company
Partner B	RMB0.21 million (equivalent to approximately HK\$0.23 million)	RMB6.93 million (equivalent to approximately HK\$7.62 million)	RMB7.14 million (equivalent to approximately HK\$7.85 million)	21%
Total	RMB1.00 million (equivalent to approximately HK\$1.10 million)	RMB33.00 million (equivalent to approximately HK\$36.30 million)	RMB34.00 million (equivalent to approximately HK\$37.40 million)	100%

Within 5 working days after the signing of the Cooperation Agreement, Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B shall respectively make their total capital contribution to the Target Company in full.

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

The total capital contribution to be made by Zhejiang Xinrui Biopharmaceutical will be funded by internal resources of the Group.

Business scope

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

Board composition and supervisors

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

Management of the Target Company

The management and operation of the Target Company would be undertaken by Partner A.

Partner A shall charge 1% of the total amount of sales income of the Target Company as system support fee.

Information on the Project Land

It is intended by the Parties that the Target Company shall acquire the land use right of the Project Land for carrying out the business of the Target Company. The Project Land is a parcel of land located in Shengzhou, Zhejiang Province, the PRC with site area of approximately 26,028 m². The Project Land is for industrial use.

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

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

INFORMATION ON THE PARTIES TO THE COOPERATION AGREEMENT

Zhejiang Xinrui Biopharmaceutical and the Group

Zhejiang Xinrui Biopharmaceutical is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Zhejiang Xinrui Biopharmaceutical is currently inactive.

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

Partner A

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

Partner B

Partner B is a company established in the PRC and principally engaged in the business of corporate management, marketing and advertising, design and technology services. Partner B is ultimately owned as to 99% by 楊鷹 (Yang Ying) and 1% by 樓麗明 (Lou Liming), each a merchant.

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

The Group is principally engaged in the distribution and trading of pharmaceutical products and the provision of marketing and promotion services in the PRC. As a long-term business strategy, the Group aims to focus on the future development of 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, while the Group will continue to seek potential investment opportunities to bring higher return for its shareholders.

In the course of carrying out the Group's principal business, the management of the Group has observed the increasing awareness of the public regarding nutrition and quality of food and the relevant health impact on consumers, as well as the rising demands in the PRC for products with functional health benefits, healthier options with high protein, low fat, low calories and/or low sugar etc. and meal replacement. The Board is of the view that the Project is of great potential in developing a healthy food industrial park in the PRC to respond to the market demands and the increasing focus on health and nutrition, and that the Project allows the Group to seize the opportunities in the PRC healthy food market where consumers put more emphasis on well-being and prefer healthier foods with nutritional benefits as a part of diet and lifestyle.

The management of the Group considered that the Project will diversify the Group's strategic cooperation with other stakeholders in the industry and enable the Group to enjoy the economic benefits brought by the investment and development in the changing landscape of the PRC health and wellness market which has been influenced by consumers' awareness, considerations and preferences.

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

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the total capital contribution payable by Zhejiang Xinrui Biopharmaceutical under the Cooperation Agreement is more than 5% but is less than 25%, the transactions contemplated under the Cooperation Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to notification and announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	New Ray Medicine International Holding Limited (新銳醫藥國際控股有限公司), a company incorporated in the Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6108)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation development agreement dated 24 May 2024 entered into by and among Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B governing, among others, the increase in capital contribution and operation and management of the affairs of the Target Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party independent of the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	collectively, Partner A, Zhejiang Xinrui Biopharmaceutical and Partner B and each a “Party”

“Partner A”	浙江萬馬產業發展集團有限公司(Zhejiang Wanma Industrial Development Group Co., Ltd.*), a company established in the PRC with limited liability and an Independent Third Party
“Partner B”	杭州觀聖管理諮詢有限公司(Hangzhou Guansheng Management Consulting Co., Ltd.*), a company established in the PRC with limited liability and an Independent Third Party
“PRC”	The People’s Republic of China, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan
“Project”	the project proposed to be undertaken by the Target Company, as more particularly described in “The Cooperation Agreement – Business scope” in this announcement
“Project Land”	a parcel of land located in Shengzhou, Zhejiang Province, the PRC with site area of approximately 26,028 m ²
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shengzhou Xinrui Wanlin Enterprise Management Co., Ltd. (嵊州新銳萬霖企業管理有限公司), a company established in the PRC with limited liability
“Zhejiang Xinrui Biopharmaceutical”	Zhejiang Xinrui Biopharmaceutical Co., Ltd. (浙江新銳生物藥業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

In this announcement, amounts quoted in RMB has been converted into HK\$ at the rate of RMB0.9091 to HK\$1. Such exchange rate has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at such rate or any other rates or at all.

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

Hong Kong, 24 May 2024

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

* *For identification purposes only*