

SoftMedx Healthcare Limited

京玖醫療健康有限公司

(Stock Code: 648)



24 Interim Report

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

LIN Pinzhuo

Independent Non-executive Directors

NGOK Ho Wai

TANG Cuihuen

YIU Chun Wing

AUDIT COMMITTEE

YIU Chun Wing (*Chairperson*)

NGOK Ho Wai

TANG Cuihuen

NOMINATION COMMITTEE

NGOK Ho Wai (*Chairperson*)

LIN Pinzhuo

YIU Chun Wing

REMUNERATION COMMITTEE

YIU Chun Wing (*Chairperson*)

LIN Pinzhuo

NGOK Ho Wai

RISK MANAGEMENT COMMITTEE

YIU Chun Wing (*Chairperson*)

LIN Pinzhuo

NGOK Ho Wai

COMPANY SECRETARY

LAM Sung Him, Gaston

STOCK CODE

648

REGISTERED OFFICE

Level 38, Infinitus Plaza

199 Des Voeux Road Central Hong Kong

SHARE REGISTRAR

Tricor Tengis Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hong Kong and Shanghai Bank Corporation Limited

INDEPENDENT AUDITORS

CL Partners CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditor

COMPANY WEBSITE

www.648.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

SoftMedx Healthcare Limited (the “Company”, together with its subsidiaries, the “Group”) is engaged in medical and well-being business for distribution of medical equipment and products involving dental equipment and products. The Group recorded revenue of HK\$30.7 million for the six months ended 30 June 2024 (2023: HK\$20.6 million) with gross profit of HK\$10.8 million (2023: HK\$11.4 million) at gross profit margin of 35.1% (2023: 55.3%). The consolidated loss and consolidated loss attributable to the owners of the Company amounted to HK\$6.1 million (2023: HK\$3.4 million) and HK\$6.1 million (2023: HK\$3.9 million) respectively. The increase in loss was mainly attributable to the loss arising from the change in fair value of financial assets at fair value through profit or loss. Without such one-off loss, the Group would have recorded profit of HK\$9.0 million for the reporting period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2024, the Group’s total assets and net liabilities amounted to HK\$50.1 million (31 December 2023: HK\$56.1 million) and HK\$330.0 million (31 December 2023: HK\$323.9 million) respectively. Its cash and bank balances amounted to HK\$4.1 million (31 December 2023: HK\$8.1 million) and liquidity ratio (calculated based on the Group’s total assets to total liabilities) was 0.13 (31 December 2023: 0.15). The Group’s total borrowings amounted to HK\$295.3 million (31 December 2023: HK\$290.8 million), including borrowings of HK\$234.5 million (31 December 2023: HK\$230.0 million) and bond payable of HK\$60.8 million (31 December 2023: HK\$60.8 million). In July 2024, the scheme administrator made the cash distribution to the scheme creditors whose claims had been admitted.

During the six months ended 30 June 2024, the Group’s net cash outflow from operating activities amounted to HK\$11.5 million (2023: HK\$9.0 million), net cash outflow from investing activities amounted to HK\$Nil (2023: HK\$0.1 million) and net cash inflow from financing activities amounted to HK\$7.5 million (2023: HK\$11.7 million). As a result, the Group recorded a net cash outflow of HK\$4.0 million (2023: inflow of HK\$2.6 million).

As at 30 June 2024, the total number of issued shares and the issued share capital of the Company were 326,036,828 (2023:326,036,828) and HK\$3,030,660,000 (2023: HK\$3,030,660,000) respectively.

CORPORATE DEVELOPMENT AND FUTURE PROSPECTS

Since 27 November 2017, trading in the shares of the Company had been suspended under the direction of the Securities and Futures Commission. Resumption of trading in the shares of the Company is pending fulfilment of the resumption conditions imposed by The Stock Exchange of Hong Kong Limited (“Stock Exchange”). Despite the Company’s very limited resources resulted from the long suspension of trading as well as the challenges arising from the Sino-United States trade conflict, the war in Ukraine and the Middle-East, the disruptive changes in the business environment due to the COVID-19 pandemic and the worldwide higher-and-longer interest rates environment, the Group’s business achieved growth in the six months ended 30 June 2024.

Looking ahead, these challenges will continue to impact on the global economy and may inevitably affect the Group’s business operations. The Company will remain focused on the organic growth of its principal businesses through improvement on business model and process, increased market penetration, expansion in product range and widening customer reach. On the other hand, as the challenges and uncertainty in the current economic environment may result in more opportunities in the healthcare sector coming to market, the Company, while adopting the newly established policies in ensuring disciplined execution of prudent financial, liquidity and cash flow management, will continue to seek new business opportunities with a view to achieving earning growth and enhancing the long-term value of all of its stakeholders.

FUND RAISING ACTIVITIES

There was no equity fund-raising activity completed during the six months ended 30 June 2024.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL

There was no significant investment and material acquisition and disposal during the six months ended 30 June 2024.

CHARGE ON ASSETS OF THE GROUP

No material asset of the Group had been pledged as at 30 June 2024.

CAPITAL COMMITMENT AND CONTINGENT LIABILITY

The Group had no significant capital commitment and contingent liability outstanding as at 30 June 2024.

EXPOSURE TO FOREIGN CURRENCY RISK

The Group's cash flow from operations is mainly denominated in Hong Kong dollars. Its assets are mostly denominated in Hong Kong dollars, and liabilities are mainly denominated in Japanese Yen and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy but will monitor the foreign exchange exposure closely and consider hedging if there is significant foreign currency exposure.

EMPLOYEES' INFORMATION AND BENEFIT SCHEMES FOR THE EMPLOYEES

As at 30 June 2024, the Group had 21 (31 December 2023: 22) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are set out in note 16 to the condensed consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, none of the Directors or chief executive of the Company has any interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) that 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 and short positions which were taken or deemed to have taken under such provisions of the SFO), or were recorded pursuant to Section 352 of the SFO, or were otherwise notified to the Company and the Stock Exchange pursuant to The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

SUBSTANTIAL SHAREHOLDERS

Save for the investor's interest in 1,800 million shares of the Company pursuant to the agreement dated 3 November 2023, as at 30 June 2024, so far as being known to the Directors, there was no person who had interests or short position in the shares or underlying shares of the Company which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept under Section 336 of the SFO, or who is interested in 5% or more of any class of share capital carrying rights to vote at general meetings of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

SHARE OPTION SCHEME

The Company currently does not have any share options scheme following the expiration of its previous share option scheme in June 2024 (which has a term of 10 years and was adopted pursuant to a resolution passed on 12 June 2014). As at 30 June 2024, there was no (31 December 2023: Nil) share option available for grant under the scheme mandate. No share option was granted during the six months ended 30 June 2024 and the Company had no share option outstanding as at 30 June 2024 (31 December 2023: Nil).

SHARE AWARD SCHEME

The Company adopted the share award scheme on 19 June 2015. The scheme has a term of 10 years and is for recognising the contribution of the qualifying grantees and to provide them with incentives in order to attract and retain them for the continual operation and development of the Group. As at 30 June 2024, the Company does not have any scheme mandate (hence service provider sublimit) in respect of its share award scheme and there was no share held under the scheme as at 30 June 2024 (31 December 2023: Nil). The Company did not grant any share award to any person during the six months ended 30 June 2024. A qualifying grantee under the share award scheme includes (i) employee and director of the Group; (ii) service provider of the Group; and (iii) business ally or joint venture partner of the Group. The Board may at its absolute discretion select and grant share award to a qualifying grantee and determine the terms, composition and conditions of the award. The scheme has neither specified the maximum number of securities of the Company that it may hold, the minimum vesting period nor maximum entitlement of each qualifying grantee. The share award may be satisfied by (a) issuance of new shares, in which case the issue price of the award shares is determined by the Board at its absolute discretion at the time of grant and shall at least be the higher of (i) the closing price of the shares on the grant date; or (ii) the average closing price of the shares for the five trading days immediately preceding the grant date; and (b) acquiring existing shares from the market, in which case the purchase price will be based on the market value of the shares on the date of acquisition. No amount is payable by the qualifying grantee upon acceptance of the award.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the required standards on dealings under the Listing Rules to govern the securities transactions by the Directors. All of the Directors have confirmed that they had observed and complied with the required standards during the six months ended 30 June 2024.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. The Company has complied with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules during the six months ended 30 June 2024 except that the office of its chief executive officer is vacated. The Board will continue to review the current structure of the Board from time to time and will continue to identify an appropriate candidate.

AUDIT COMMITTEE

The audit committee of the Board has been established with written terms of reference in compliance with the Listing Rules. Its primary duties include reviewing the annual and interim financial reports of the Company and providing advice and recommendations relating to the engagement and renewal of external auditors, financial reporting procedures, internal control and risk management to the Board. The audit committee currently comprises all three independent non-executive Directors. The unaudited interim results for the six months ended 30 June 2024 has not been audited by the Company's auditors but has been reviewed by the audit committee, which was of the opinion that its preparation is complied with the applicable accounting standards and the Listing Rules and that adequate disclosure has been made.

By order of the Board
SoftMedx Healthcare Limited
Lam Sung Him Gaston
Company Secretary

Hong Kong, 30 August 2024

CONDENSES CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

HK\$'000	Notes	For the six months ended 30 June	
		2024	2023
Revenue	2	30,704	20,599
Cost of goods sold		(19,914)	(9,206)
Gross profit		10,790	11,393
Other income, gains and losses	4	8,471	6,128
Administrative expenses		(8,437)	(13,853)
Loss arising from change in fair value of financial assets at fair value through profit or loss ("FVTPL")		(15,131)	(131)
Finance costs	5	(486)	(6,195)
Loss before income tax	5	(4,793)	(2,658)
Income tax	6	(1,300)	(743)
Loss and total comprehensive loss for the period		(6,093)	(3,401)
Loss and total comprehensive loss attributable to:			
Owners of the Company		(6,093)	(3,874)
Non-controlling interest		-	473
		(6,093)	(3,401)
Loss per share attributable to owners of the Company			
Basic and diluted	9	HK(1.9) cents	HK(1.2) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$'000	Notes	30 June 2024	31 December 2023
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	10	2,584	238
Right-of-use assets		1,298	210
Equity investment at FVTPL		5,396	20,527
		9,278	20,975
Current assets			
Inventories		9,536	2,830
Trade receivables	11	9,087	7,108
Prepayments, other receivables and other assets		18,180	17,092
Cash and bank balances		4,051	8,068
		40,854	35,098
Current liabilities			
Trade payables	12	2,190	-
Other payables		77,443	85,955
Tax payable		3,811	2,965
Borrowings	13	234,520	226,739
Bonds payable	14	60,818	60,818
Lease liabilities		1,304	211
		380,086	376,688
Net current liabilities		(339,232)	(341,590)
Total assets less current liabilities		(329,954)	(320,615)
Non-current liability			
Borrowings	13	-	3,246
NET LIABILITIES		(329,954)	(323,861)
Capital and reserves			
Share capital	15	3,030,660	3,030,660
Reserves		(3,360,614)	(3,354,521)
Total deficit		(329,954)	(323,861)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>HK\$'000</i>	Attributable to owners of the Company			Non-controlling Interests	Total
	Share capital	Accumulated losses*	Subtotal		
Balance as at 1 January 2024 (audited)	3,030,660	(3,354,521)	(323,861)	–	(323,861)
Loss for the period	–	(6,093)	(6,093)	–	(6,093)
Total comprehensive loss for the period	–	(6,093)	(6,093)	–	(6,093)
Balance as at 30 June 2024 (unaudited)	<u>3,030,660</u>	<u>(3,360,614)</u>	<u>(329,954)</u>	<u>–</u>	<u>(329,954)</u>

<i>HK\$'000</i>	Attributable to owners of the Company			Non-controlling Interests	Total
	Share capital	Accumulated losses*	Subtotal		
Balance as at 1 January 2023 (audited)	3,030,660	(3,367,032)	(336,372)	(7,583)	(343,955)
(Loss)/Profit for the period	–	(3,874)	(3,874)	473	(3,401)
Total comprehensive (loss)/profit for the period	–	(3,874)	(3,874)	473	(3,401)
Balance as at 30 June 2023 (unaudited)	<u>3,030,660</u>	<u>(3,370,906)</u>	<u>(340,246)</u>	<u>(7,110)</u>	<u>(347,356)</u>

* The total of these accounts as at the reporting dates represents “Reserves” in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

	For the six months ended 30 June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net cash used in operating activities	(11,513)	(5,109)
Net cash used in investing activities	–	(129)
Net cash generated from financing activities	<u>7,496</u>	<u>11,674</u>
Net (decrease)/increase in cash and cash equivalents	(4,017)	2,574
Cash and cash equivalents at the beginning of the period	<u>8,068</u>	<u>3,096</u>
Cash and cash equivalents at the end of the period	<u>4,051</u>	<u>5,670</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim results have been prepared (i) under the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period; (ii) in accordance with the applicable disclosures requirements of the Listing Rules and Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”); and (iii) in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for the accounting period beginning on 1 January 2024. Such adoptions had no material impact on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim results.

Going concern

As at 30 June 2024, the Group had net current liabilities and net liabilities of approximately HK\$339.2 million and HK\$330.0 million respectively. As such, there existed a material uncertainty that might cast significant doubt on the Group’s ability to continue as a going concern. However, such material uncertainty has been mitigated with the following measures and events after the reporting period:

- (a) as at the date of this report, the scheme has been successfully implemented and cash distribution had been made to the scheme creditors whose claims had been admitted by the scheme administrator;
- (b) in July 2024, the Company and an investor entered into an agreement to extend the maturity date of the loan of HK\$15.0 million by six months to 31 March 2025;
- (c) the Group has been continuing to develop its medical and well-being business to improve its financial position.

The Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of these consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. REVENUE

<i>HK\$'000</i>	For the six months ended 30 June	
	2024	2023
Revenue from contracts with customers		
Medical and well-being business:		
Distribution of medical equipment and products	30,704	20,599
Geographical market		
Hong Kong	30,704	20,599
Timing of revenue recognition		
A point in time	30,704	20,599

3. OPERATING SEGMENT INFORMATION

The Group’s reportable and operating segment under HKFRS 8 is based on the information reported to the executive directors of the Company, being the chief operating decision maker, for resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. During the period, the Group has one (2023: one) reportable segment i.e. medical and well-being business for the distribution of medical equipment and products. Segment assets exclude unallocated head office and corporate assets that are managed on a group basis. Segment liabilities exclude borrowings, bonds payable, unallocated head office and corporate liabilities that are managed on a group basis.

Segment revenue and results

For the six months ended 30 June 2024

<i>HK\$'000</i>	Medical and well-being business	Total
External sales and reportable segment revenue	30,704	30,704
Reportable segment results	6,589	6,589
Unallocated corporate expenses		(11,382)
Loss before taxation		(4,793)

For the six months ended 30 June 2023

<i>HK\$'000</i>	Medical and well-being business	Total
External sales and reportable segment revenue	20,599	20,599
Reportable segment results	7,995	7,995
Unallocated corporate expenses		(4,829)
Unallocated finance costs		(5,824)
Loss before taxation		(2,658)

Segment assets and liabilities

As at 30 June 2024

<i>HK\$'000</i>	Medical and well-being business	Total
Reportable segment assets	44,258	44,258
Unallocated assets		5,874
Total assets		50,132
Reportable segment liabilities	26,661	26,661
Unallocated liabilities		353,425
Total liabilities		380,086

As at 31 December 2023

<i>HK\$'000</i>	Medical and well-being business	Total
Reportable segment assets	34,530	34,530
Unallocated assets		21,543
Total assets		56,073
Reportable segment liabilities	23,768	23,768
Unallocated liabilities		356,166
Total liabilities		379,934

Geographical information

The Group's operation is located in Hong Kong. The Group's revenue from external customers is all from Hong Kong and non-current assets are located in Hong Kong.

4. OTHER INCOME AND GAINS

<i>HK\$'000</i>	For the six months ended 30 June	
	2024	2023
Interest income on bank balances	-	153
Rental income	309	311
Others	8,162	5,664
	8,471	6,128

5. FINANCE COST

<i>HK\$'000</i>	For the six months ended 30 June	
	2024	2023
Interest expenses on bank and borrowings	457	4,667
Interest expenses on bonds payable	-	1,505
Interest expenses on lease liabilities	29	23
	486	6,195

6. INCOME TAX

<i>HK\$'000</i>	For the six months ended 30 June	
	2024	2023
Current tax - Hong Kong Profits Tax	1,300	473

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

7. LOSS FOR THE PERIOD

Loss before income tax expenses is arrived at after charging:

<i>HK\$'000</i>	For the six months ended 30 June	
	2024	2023
Depreciation of property, plant and equipment	85	140
Depreciation of right-of-use assets	442	522
Total depreciation	<u>427</u>	<u>662</u>
Cost of inventories recognised as expenses	19,914	9,206
Staff costs and other benefits (including Directors' remuneration)	<u>3,172</u>	<u>8,636</u>

8. DIVIDEND

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

9. LOSS PER SHARE

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

	For the six months ended 30 June	
	2024	2023
Loss for the period attributable to owners of the Company (<i>HK\$'000</i>)	<u>6,093</u>	<u>3,874</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000)	<u>326,037</u>	<u>326,037</u>

10. MOVEMENTS OF PROPERTY, PLANT AND EQUIPMENT

The addition to the Group's property, plant and equipment during the six months ended 30 June 2024 amounted to HK\$2.4 million (2023: HK\$Nil).

11. TRADE RECEIVABLES

<i>HK\$'000</i>	30 June 2024	31 December 2023
Trade receivables	9,087	7,108
Less: Impairment	-	-
	<u>9,087</u>	<u>7,108</u>

The following is the ageing analysis of the trade receivables at the end of the reporting period based on the invoice date, which approximated the respective revenue recognition dates:

<i>HK\$'000</i>	30 June 2024	31 December 2023
0 - 30 days	950	506
31 - 90 days	6,307	5,090
91 - 180 days	1,310	1,185
Over 180 days	550	327
	<u>9,087</u>	<u>7,108</u>

12. TRADE PAYABLES

The following is the ageing analysis of the trade payables at the end of the reporting period based on the invoice date:

<i>HK\$'000</i>	30 June 2024	31 December 2023
0 - 30 days	1,633	-
31 - 90 days	232	-
91 - 180 days	325	-
	<u>2,190</u>	<u>-</u>

13. BORROWINGS

<i>HK\$'000</i>	30 June 2024	31 December 2023
Borrowings	234,520	229,985
Analysed into:		
Repayable within one year or on demand	234,520	226,739
Repayable within a period of more than one year	-	3,246
	234,520	229,985

The amount represented loans with aggregate principal amount of HK\$200.9 million (31 December 2023: HK\$185.9 million) bearing interest rates ranging from 2% to 8.5% (2023: 2% to 8.5%). The carrying amount of HK\$202.3 million as at 30 June 2024 was expected to be settled by way of the Scheme.

14. BONDS PAYABLE

<i>HK\$'000</i>	30 June 2024	31 December 2023
Bonds payable:		
Repayable within one year or on demand	60,818	60,818

The amount represented loans with aggregate principal amount of HK\$49.0 million (31 December 2023: HK\$49.0 million) bearing interest rates ranging from 5% to 6.5% (2023: 5% to 6.5%) and effective interest rates ranging from 7% to 9% (2023: 7% to 9%). As at 30 June 2024, bonds payable of HK\$60.8 million were expected to be settled by way of the Scheme.

15. SHARE CAPITAL

	Number of shares	Amount
	<i>'000</i>	<i>HK\$'000</i>
Issued and fully paid:		
At 31 December 2023, 1 January 2024 and 30 June 2024	326,037	3,030,660

16. EVENTS AFTER THE REPORTING DATE

As at the date of this report, the Scheme has been successfully implemented and cash distribution had been made to the scheme creditors whose claims had been admitted by the scheme administrator.

In July 2024, the Company and an investor entered into an agreement to extend the maturity date of the loan of HK\$15.0 million by six months to 31 March 2025.

17. APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements have been approved for issue by the Board on 30 August 2024.