



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 : 8180

2014

Interim Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of New Ray Medicine International Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of New Ray Medicine International Holding Limited (the “Company”) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 (“Period”) together with the comparative unaudited figures for the corresponding period in 2013 prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The unaudited condensed consolidated results have not been audited by the Company’s auditors but have been reviewed by the audit committee of the Board.

Key financial figures for the Period

- Revenue was approximately HK\$87,876,000, which has increased by 5.0% when compared to approximately HK\$83,672,000 recorded for the corresponding period in 2013.
- Gross profit margin was approximately 28.8%, which was a further improvement by approximately 6.7 percentage points over the corresponding period in 2013.
- Profit attributable to owners of the Company was approximately HK\$11,087,000 during the Period, while it was approximately HK\$1,530,000 for the corresponding period in 2013.
- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2014 (31 December 2013: zero).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	4	59,004	43,898	87,876	83,672
Cost of sales		(42,660)	(34,434)	(62,544)	(65,217)
		16,344	9,464	25,332	18,455
Other income and gains	5	920	706	1,091	1,050
Selling and distribution expenses		(3,067)	(578)	(4,523)	(1,355)
Administrative expenses		(2,748)	(1,354)	(5,055)	(3,339)
Listing expenses		-	(1,609)	-	(5,418)
Finance costs	6	-	(459)	-	(3,855)
Profit before tax		11,449	6,170	16,845	5,538
Income tax expenses	7	(4,066)	(1,884)	(5,758)	(4,008)
Profit for the period	8	7,383	4,286	11,087	1,530
Other comprehensive (expense) income for the period:					
Exchange difference arising on translation of functional currency to presentation currency		(196)	1,672	(3,412)	2,354
Total comprehensive income for the period		7,187	5,958	7,675	3,884
Profit for the period attributable to: owners of the Company		7,383	4,286	11,087	1,530
Total comprehensive income attributable to owners of the Company		7,187	5,958	7,675	3,884
Earnings per share:					
- Basic and diluted (HK cent)	10	0.92	0.82	1.38	0.29

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	6,638	7,051
Prepaid lease payments	11	8,280	8,540
Club debenture		625	637
Interest in a joint venture	12	–	–
Amount due from a joint venture	12	–	–
		15,543	16,228
Current assets			
Inventories	13	10,771	9,792
Trade and other receivables	14	136,737	114,262
Prepaid lease payments		192	196
Bank balances and cash		66,282	93,409
		213,982	217,659
Current liabilities			
Trade and other payables	15	19,301	11,996
Tax payable		5,309	5,396
		24,610	17,392
Net current assets		189,372	200,267
Total assets less current liabilities		204,915	216,495
Non-current liability			
Deferred tax liabilities		4,042	3,297
		200,873	213,198
Capital and reserves			
Share capital	16	8,000	8,000
Share premium and reserves		192,873	205,198
Equity attributable to owners of the Company		200,873	213,198

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company						
	Share Capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Statutory surplus reserve fund HK\$'000 (Note1)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	8,000	54,681	70,167	10,319	13,323	56,708	213,198
Profit for the period	-	-	-	-	-	11,087	11,087
Exchange differences arising on the translation of functional currency to presentation currency	-	-	-	-	(3,412)	-	(3,412)
Total comprehensive income for the period	-	-	-	-	(3,412)	11,087	7,675
Dividends	-	-	(20,000)	-	-	-	(20,000)
Transfer	-	-	-	1,833	-	(1,833)	-
At 30 June 2014 (unaudited)	8,000	54,681	50,167	12,152	9,911	65,962	200,873
At 1 January 2013	-	-	75,367	6,782	9,402	42,842	134,393
Profit for the period	-	-	-	-	-	1,530	1,530
Exchange differences arising on the translation of functional currency to presentation currency	-	-	-	-	2,354	-	2,354
Total comprehensive income for the period	-	-	-	-	2,354	1,530	3,884
Transfer	-	-	-	985	-	(985)	-
At 30 June 2013 (unaudited)	-	-	75,367	7,767	11,756	43,387	138,277

Note:

- For the Company's subsidiaries, 杭州新泓生物醫藥科技有限公司 (in English, for identification purpose only, Hangzhou Xin Hong Bio-medical Technology Co. Ltd.) ("Hangzhou Xin Hong"), 浙江新銳醫藥有限公司 (in English, for identification purpose only, Zhejiang Xin Rui Pharmaceutical Co. Ltd.) ("Zhejiang Xin Rui Pharmaceutical") and 浙江泓銳貿易有限公司 (in English, for identification purpose only, Zhejiang Hong Rui Trading Co. Ltd.) ("Hong Rui Trading"), as stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), they are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out on 10% of the net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries in accordance with relevant laws and regulations applicable to PRC enterprises. The statutory surplus reserve fund can be used to make up prior years' losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The statutory surplus reserve can be released to the retained profits upon the dissolution or winding up of the entity.

For 泓銳(杭州)生物醫藥科技有限公司 (in English, for identification purpose only, Hong Rui (Hangzhou) Bio-medical Technology Co. Ltd.) ("Hong Rui Bio-medical"), another subsidiary of the Company, as it is a wholly foreign owned enterprise, appropriation to statutory surplus reserve fund is based on the management's discretion.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (outflow) inflow from operating activities	(6,257)	7,472
Net cash inflow (outflow) from investing activities	46	(1,853)
Net cash (outflow) inflow from financing activities	(20,000)	11,483
(Decrease)/increase in cash and cash equivalents	(26,211)	17,102
Cash and cash equivalents at beginning of period	93,409	26,289
Exchange (losses)/gains on cash and cash equivalents	(916)	406
Cash and cash equivalents at end of period	66,282	43,797
Analysis of balances of cash and cash equivalents		
Bank balances and cash	66,282	43,797

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

New Ray Medicine International Holding Limited (the "Company") was incorporated in Bermuda on 9 August 2012 as an exempted company with limited liability under the laws of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. Its place of business in Hong Kong is located at Room 1001, 10th Floor, Sino Centre, Nos. 582-592 Nathan Road, Kowloon, Hong Kong.

The shares of the Company (the "Share") were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 October 2013.

The principal activity of the company is investment holding. The Group is principally engaged in pharmaceutical distribution businesses in the PRC.

2. REORGANIZATION

In preparing for the listing of Shares on the GEM (the "Listing"), the Company underwent the reorganisation, pursuant to which the group companies owned by the controlling shareholders were transferred to the Company. The reorganisation involved the following:

- (a) On 19 June 2012, Hong Rui Bio-medical merged with its direct wholly-owned subsidiary, Hangzhou Xin Hong, whereby Hangzhou Xin Hong was dissolved and all assets and liabilities of Hangzhou Xin Hong were taken up by Hong Rui Bio-medical.
- (b) On 9 August 2012, the Company was incorporated in Bermuda as an exempted company with limited liability with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. On 23 August 2012, one subscriber share, was allotted and issued as nil paid share, to Town Health Pharmaceutical Limited ("Town Health Pharmaceutical").
- (c) On 26 September 2013, shareholders of Max Goodrich International Limited ("Max Goodrich") namely, Town Health Pharmaceutical, Mr. Zhou Ling (周凌) ("Mr. Zhou"), Mr. Dai Haidong (戴海東) ("Mr. Dai"), Mr. He Linxing (賀林興) ("Mr. He"), Ms. Yang Fang (楊芳) ("Ms. Yang") and Festive Mood Group Ltd. ("Festive Mood"), as vendors, and the Company as purchaser entered into a sale and purchase agreement whereby Town Health Pharmaceutical, Mr. Zhou, Mr. Dai, Mr. He, Ms. Yang and Festive Mood have sold their respective interests in Max Goodrich to the Company at a consideration which has been satisfied by (i) the allotment and issue, credited as fully paid, of 20,999 shares to Town Health Pharmaceutical, Mr. Zhou, Mr. Dai, Mr. He, Ms. Yang and Festive Mood in proportion to their then shareholdings in Max Goodrich, that is 10,079 shares to Town Health Pharmaceutical, 4,216 shares to Mr. Zhou, 2,457 shares to Mr. Dai, 1,260 shares to Mr. He, 1,727 shares to Ms. Yang, 1,260 shares to Festive Mood; and (ii) the crediting as fully paid at par of the one nil paid share held by Town Health Pharmaceutical.

3. BASIS OF PREPARATION

The Results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRSs") and the disclosure requirements of the GEM Listing Rules.

The Results have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value. The principal accounting policies used in the preparation of these Results are consistent with those applied in the preparation of audited annual financial statements for the year ended 31 December 2013 with addition for the new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2014. The adoption of these new and revised HKFRSs has no material effect on these Results.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in pharmaceutical distribution businesses in the PRC. Information reported to the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered.

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

- (i) Injection drugs – trading of injection drugs
- (ii) Tablet drugs – trading of tablet drugs
- (iii) Capsule drugs – trading of capsule drugs
- (iv) Others – trading of miscellaneous types of drugs, other than injection drugs, tablet drugs and capsule drugs

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the gross profit attributable to each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

Six month ended 30 June 2014 (unaudited)

	Injection drugs HK\$'000	Tablet drugs HK\$'000	Capsule drugs HK\$'000	Others HK\$'000	Total HK\$'000
REVENUE					
External sales and segment revenue	79,865	3,175	4,825	11	87,876
RESULT					
Segment profit	22,133	483	2,713	3	25,332
Other income and gains					1,091
Selling and distribution expenses					(4,523)
Administrative expenses					(5,055)
Listing expenses					-
Finance costs					-
Profit before tax					16,845

Six month ended 30 June 2013 (unaudited)

	Injection drugs HK\$'000	Tablet drugs HK\$'000	Capsule drugs HK\$'000	Others HK\$'000	Total HK\$'000
REVENUE					
External sales and segment revenue	70,586	6,256	4,355	2,475	83,672
RESULT					
Segment profit	14,640	1,238	2,435	142	18,455
Other income and gains					1,050
Selling and distribution expenses					(1,355)
Administrative expenses					(3,339)
Listing expenses					(5,418)
Finance costs					(3,855)
Profit before tax					5,538

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4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Geographical information

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

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

5. OTHER INCOME AND GAINS

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Bank Interest income	163	42	334	150
Imputed interest and adjustment on deposits paid to suppliers	–	236	–	472
Sundry income	757	428	757	428
	920	706	1,091	1,050

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on borrowing wholly repayable within five years:				
Bank and other borrowings wholly repayable within one year	–	459	–	841
Imputed interest adjustment on deposits paid to suppliers upon initial recognition	–	–	–	3,014
	–	459	–	3,855

7. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current Tax:				
PRC Enterprise Income Tax ("EIT")	3,351	1,893	4,925	3,565
Deferred Tax	715	(9)	833	443
	4,066	1,884	5,758	4,008

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits in Hong Kong.

8. PROFIT FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging:				
Depreciation of property, plant and equipment	263	310	544	570
Amortisation of prepaid lease payment	49	48	97	96
Staff costs, including Directors' emoluments	1,718	1,149	3,310	2,258
Minimum lease payment under operating leases in respect of rented premises	334	296	667	592
Cost of inventories recognised as an expense	42,660	34,434	62,544	65,217

9. DIVIDENDS

The Board does not recommend the payment of any dividend for the Period (2013: Nil).

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10. EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Earnings		(Note 2)		(Note 2)
Earnings for the purpose of basic and dilute earnings per share	7,383	4,286	11,087	1,530
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note 1)	800,000,000	519,979,000	800,000,000	519,979,000
Basic earnings per share (HK cent)	0.92	0.82	1.38	0.29

Notes:

- The basic and diluted earnings per share for the respective periods are the same as there are no dilutive ordinary Shares. The basic and diluted earnings per share as presented on the condensed consolidated statement of profit or loss and other comprehensive income have taken into account the capitalisation issue as described in note 2 below.
- Pursuant to resolutions in writing passed by the shareholders of the Company on 26 September 2013, conditional upon the share premium account of the Company being credited as a result of the placing of the shares of the Company as disclosed in the prospectus of the Company (the "Placing"), the directors of the Company were authorised to allot and issue a total of 519,979,000 shares credited as fully paid at par to the holders of shares whose names appear on the register of members of the Company at the close of business on 3 October 2013 in proportion to their then existing respective shareholdings by way of capitalisation of the sum of HK\$5,199,790 standing to the credit of the share premium account of the Company.

11. PREPAID LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

	Prepaid Lease Payments <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>
Six months ended 30 June 2014 (unaudited)		
Net book amount as at 1 January 2014	8,736	7,051
Additions	–	259
Foreign exchange difference	(167)	(128)
Depreciation and amortisation <i>(Note 8)</i>	(97)	(544)
Net book amount as at 30 June 2014	8,472	6,638
Six months ended 30 June 2013 (unaudited)		
Net book amount as at 1 January 2013	8,712	5,668
Additions	–	2,525
Disposals	–	(94)
Foreign exchange difference	140	106
Depreciation and amortisation <i>(Note 8)</i>	(96)	(570)
Net book amount as at 30 June 2013	8,756	7,635

12. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

	As at 30 June 2014 (Unaudited) <i>HK\$'000</i>	As at 31 December 2013 (Audited) <i>HK\$'000</i>
Cost of unlisted investment in a joint venture	604	604
Share of post-acquisition loss	(604)	(604)
	–	–
Amount due from a joint venture <i>(Note)</i>	616	616
Less: Impairment	(600)	(600)
Less: Share of post-acquisition loss that is in excess of the cost of the investment	(16)	(16)
	–	–

The interest in a joint venture represents a 50.1% equity interest in 海口新朗醫藥科技有限公司 (in English, for identification purpose only, Haikou Xin Lang Pharmaceutical Technology Co. Ltd.) (“Haikou Xin Lang”), an equity joint venture established in the PRC in March 2011. The Group is able to exercise joint control over Haikou Xin Lang as all decisions about the relevant activities require unanimous consent of the Group and the other joint venture partner. The Group also has rights to the net assets of Haikou Xin Lang. Accordingly, Haikou Xin Lang is regarded as a joint venture of the Group.

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12. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (Continued)

Details of the Group's joint venture at 31 December 2013 and 30 June 2014 are as follows:

Name	Place of incorporation/ operation	Proportion of nominal value of issued capital/registered capital held by the Group		Principal activity
		30 June 2014	31 December 2013	
Haikou Xin Lang	PRC	50.1%	50.1%	Medical technology development, biological technology development and medical consulting

Note:

The amount is unsecured, non-interest bearing and repayable on demand. In the opinion of the Directors, settlement is neither planned nor likely to occur in the foreseeable future. The Directors consider that the amount form part of the net investment in the joint venture. Accordingly, the amount was classified as non-current.

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRS.

The joint venture is accounted for using equity method in these consolidated financial statements.

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Current assets	1,255	1,280
Non-current assets	–	–
Current liabilities	(1,268)	(1,293)
Non-current liabilities	–	–
	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Revenue	–	–
Loss for the period/year	–	(3)
Other comprehensive income	–	–
Total comprehensive expenses for the period/year	–	(3)
Dividends received from the joint venture during the period/the year	–	–

12. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Net liabilities of the joint venture	(13)	(13)
Proportion of the Group's ownership interest in the joint venture	50.1%	50.1%
Carrying amounts of the Group's interest in a joint venture	–	–

Significant restriction

There are no significant restrictions on the ability of the joint venture of transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

13. INVENTORIES

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Finished goods	10,771	9,792

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Trade receivables	67,848	64,099
Other prepayments	2,777	1,976
Prepayments to suppliers	25,277	27,021
Deposits paid to suppliers	40,557	20,899
Others	278	267
Total trade and other receivables	136,737	114,262

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables presented based on the invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

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14. TRADE AND OTHER RECEIVABLES (Continued)

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Trade receivables:		
0 – 30 days	35,272	30,601
31 – 60 days	28,944	29,187
61 – 90 days	3,363	3,210
91 – 180 days	269	1,101
	67,848	64,099

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

15. TRADE AND OTHER PAYABLES

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Trade payable	8,464	2,301
Deposits received	187	191
Receipt in advance	5,510	253
VAT payables	3,419	7,493
Other tax payables	50	379
Accruals	1,671	1,379
	19,301	11,996

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

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
0 – 30 days	7,226	2,102
31 – 60 days	1,238	–
61 – 90 days	–	–
Over 90 days	–	199
	8,464	2,301

The credit period on purchase of goods ranges from 30 to 90 days. For certain suppliers, the Group is required to make prepayments and/or pay deposits to the suppliers based on the supplier agreements for purchase of goods.

16. SHARE CAPITAL

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

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
On 9 August 2012 (date of incorporation) <i>(Note a)</i>	10,000,000	100
At 30 June 2013	10,000,000	100
Increased pursuant to the Group Reorganisation <i>(Note b)</i>	990,000,000	9,900
At 31 December 2013 and 30 June 2014	1,000,000,000	10,000
Issued and fully paid:		
On 9 August 2012 (date of incorporation) <i>(Note a)</i>	–	–
Issue of Shares on 23 August 2012 <i>(Note a)</i>	1	–
At 30 June 2013	1	–
Issue of Shares upon the share swap on 26 September 2013 <i>(Note c)</i>	20,999	210
Issue of Shares by capitalisation of share premium <i>(Note d)</i>	519,979,000	5,199,790
Issue of Shares upon the Placing <i>(Note e)</i>	280,000,000	2,800,000
At 31 December 2013 and 30 June 2014	800,000,000	8,000,000

Notes:

- (a) The Company was incorporated in Bermuda on 9 August 2012 under the laws of Bermuda as an exempted company with limited liability with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. On 23 August 2012, 1 Share was issued and allotted to Town Health Pharmaceutical Limited (“Town Health Pharmaceutical”) at nil consideration.
- (b) On 26 September 2013, the authorised share capital of the Company was increased from HK\$100,000 to HK\$10,000,000 by the creation of an additional 990,000,000 Shares.

16. SHARE CAPITAL (Continued)

Notes: (Continued)

- (c) On 26 September 2013, the Company (i) credited as fully paid at par the one nil-paid Share held by Town Health Pharmaceutical and (ii) allotted and issued a total of 20,999 Shares to the shareholders of Max Goodrich in consideration for the shareholders of Max Goodrich transferring an aggregate of 21,000 shares of US\$1 each in the share capital of Max Goodrich (representing the entire issued share capital of Max Goodrich) to the Company.
- (d) On 3 October 2013, the Company capitalised the amount of HK\$5,199,790 standing to the credit of the share premium account of the Company to pay up in full at par 519,979,000 ordinary shares of HK\$0.01 each, in proportion to the holders of shares whose names appear on the register of members of the Company.
- (e) On 25 October 2013, the Company issued 280,000,000 shares of HK\$0.01 each at HK\$0.25 per share by way of placing. On the same date, the Company's shares were listed on the GEM.

All ordinary Shares issued during the year ended 31 December 2013 rank *pari passu* with the then existing ordinary Shares in all respects.

17. PLEDGE OF ASSETS

As at 30 June 2014, the Group has pledged the buildings and prepaid lease payments with aggregate carrying values of approximately HK\$12,315,000 (31 December 2013: HK\$12,710,000) to secure general banking facilities granted to the Group.

18. OPERATING LEASE

The Group as lessee

At the respective reporting dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within one year	1,318	1,185
In the second to fifth year inclusive	864	897
	2,182	2,082

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are generally negotiated for terms from 1 to 5 years.

19. CAPITAL COMMITMENTS

The Group's share of the capital commitments of its joint venture is as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of research data and patent of a new pharmaceutical product contracted for but not provided in the consolidated financial statements	1,628	1,660

20. RELATED PARTY DISCLOSURES

(I) Transactions

During the Period, the Group entered into the following transaction with a related party:

Name of related party	Relationship	Nature of transactions/ balances	For the three months ended 30 June		For the six months ended 30 June	
			2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Yang Qi	Family member of Ms. Yang	Rental expense <i>(Note)</i>	173	170	347	340

Note:

The rental expense represented expense for leasing a unit of the Group's office premise in the PRC, which Yang Qi was one of the lessors during the six months ended 30 June 2013 and 2014.

The related party operating lease commitment with Yang Qi is included in note 18.

(II) Compensation of key management personnel

	For the three months ended 30 June		For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term benefits	361	204	724	406
Post employment benefits	25	23	51	46
	386	227	775	452

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an established pharmaceutical distributor originated from Zhejiang province and headquartered in Hangzhou, Zhejiang province. The Group is principally engaged in pharmaceutical distribution businesses in the PRC, with a focus in Zhejiang province. The Group procured pharmaceutical products throughout the PRC from 31 suppliers and the Group sold the pharmaceutical products through a network of 114 distributor customers, of which 42 distributor customers cover Zhejiang province and the remaining 72 distributor customers are spread over the remaining 18 regions in the PRC, including Shanghai, Chongqing, Anhui province, Sichuan province, Hebei province and Guangdong province. In addition, the Group successfully promoted its products to around 800 hospitals through the last tendering process in Zhejiang province.

Business review

For the Period, the Group recorded a revenue of approximately HK\$87,876,000, representing an increase of approximately 5.0% compared with that of the corresponding period in 2013. Such increase was due to the sale from the products, of which the distribution rights were newly acquired in 2014. However, it was partly offset by the decrease in revenue due to the Group has ceased the sales of products with relatively low gross profit margin. The Group recorded gross profit margin of approximately 28.8% for the Period, which is a significant increase as compared to 22.1% of the corresponding period last year. Hence, the gross profit for the Period has a significant increase as compared with the six months ended 30 June 2013. Net profit attributable to the owners of the Company for the Period was approximately HK\$11,087,000, as compared to a profit attributable to the owners of the Company of approximately HK\$1,530,000 recorded in the corresponding period last year. The increase in net profit attributable to the owners of the Company was primarily due to (i) the significant increase in gross profit, and (ii) the absence of finance costs and listing expenses in the Period which was incurred by the Group for the six months ended 30 June 2013, despite that it was partially offset by the increase in selling and distribution expenses and administrative expenses. The listing expenses of the Company was approximately HK\$5,418,000 and the finance costs were approximately HK\$3,855,000 in the corresponding period last year. The finance costs incurred for the six months ended 30 June 2013 comprised (i) the imputed interest adjustment on deposit paid to suppliers upon initial recognition of approximately HK\$3,014,000; and (ii) the interest on the Group's borrowings of approximately HK\$841,000 for the listing expenses and for payment in relation to the obtaining of distribution right by the Group at the end of 2012 and early 2013.

**Revenue attributable to each of
the segment for the six months ended**

	30 June 2013		30 June 2014	
	HK\$'000	%	HK\$'000	%
Injection drugs	70,586	84.4	79,865	90.9
Tablet drugs	6,256	7.5	3,175	3.6
Capsule drugs	4,355	5.2	4,825	5.5
Others	2,475	2.9	11	–
Total	83,672	100.0	87,876	100.0

(i) Injection drugs

The injection drugs segment generated a revenue of approximately HK\$79.9 million for the Period (2013: HK\$70.6 million), representing an increase of approximately 13.1% as compared to the corresponding period in 2013. Such increase was attributable to the sales of the Group's new products, namely Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) ("Cefamandole Nafate for Injection") and Levocarnitine Injection (左卡尼丁注射液) manufactured by a pharmaceutical manufacturer in Italy ("Italy Levocarnitine Injection"). The sales of the Cefamandole Nafate for Injection and Italy Levocarnitine Injection commenced in April 2014 and June 2014 respectively. Details of the two new products are set out in the paragraphs headed "Recent Developments" below.

(ii) Tablet drugs

The tablet drugs segment generated a revenue of approximately HK\$3.2 million for the Period (2013: HK\$6.3 million), representing a decrease of approximately 49.2% as compared to the corresponding period in 2013. Such decrease was attributable to the decrease in the sales of one of the Group's major products in this business segment, namely Cefixime Dispersible Tablet (頭孢克肅分散片). The above product falls within the category of antibiotics the use of which is discouraged by the Administrator Catalogue of the Clinical Use of Antibiotics of Zhejiang Province (2012 version).

(iii) Capsule drugs

The capsule drugs segment generated a revenue of approximately HK\$4.8 million for the Period (2013: HK\$4.4 million), representing an increase of approximately 10.8% as compared to the corresponding period in 2013. Such increase was attributable to the increase in sales of one of the Group's products in this business segment, namely Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊).

(iv) Others

The others segment generated a revenue of approximately HK\$11,000 for the Period (2013: HK\$2,475,000), representing a decrease of approximately 99.6% as compared to the corresponding period in 2013. The decrease was primarily due to the cessation of sales of products with relatively low gross profit margin.

Recent developments

In the first six months of 2014, the Group continued 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. During the Period, the Group acquired distribution rights of two products, namely Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) and Levocarnitine Injection (左卡尼丁注射液).

Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉)

In February 2014, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted an exclusive national distribution rights for the product Cefamandole Nafate for Injection under two different specifications (i.e. 0.5g and 1.0g) in the PRC. Pursuant to the distribution agreement, the distribution period commenced from 1 February 2014 to 31 December 2014 and the Group had paid RMB15 million as the deposits for obtaining the distribution rights of the Cefamandole Nafate for Injection. Such deposit shall be refundable upon expiry of the distribution period, subject to deduction in proportion to the amount of sales of the Cefamandole Nafate for Injection which is below 85% of the sales target as stipulated in the aforementioned distribution agreement. The sales of the Cefamandole Nafate for Injection commenced in April 2014.

Italy Levocarnitine Injection (左卡尼丁注射液)

In May 2014, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted an exclusive provincial distribution rights for Italy Levocarnitine Injection under two different specifications (i.e. 1.0g and 2.0g) in Zhejiang province. Pursuant to the distribution agreement, the distribution period commenced from May 2014 to the end of the next collective tendering period in Zhejiang province and the Group has paid RMB300,000 as the deposits for obtaining the distribution rights of the Italy Levocarnitine Injection. Such deposit shall be refundable upon expiry of the distribution period, subject to deduction in proportion to the amount of sales of the Italy Levocarnitine Injection which is below 80% of the sales target as stipulated in the aforementioned distribution agreement. The sales of the Italy Levocarnitine Injection Products commenced in June 2014.

Principal risks

There are certain principal risks and uncertainties related to the business of the Group in the PRC's pharmaceutical industry, the principal risks are:

- the reliance on the Group's suppliers and distributor customers – the Group's business relies on the products provided by its suppliers which are in turn distributed through the distributor customers of the Group to ultimate customers such as hospitals and medical institutions in the PRC. However, the Group does not have long-term commitments from these suppliers and distributor customers;
- the government policies of the pharmaceutical industry in the PRC – the pharmaceutical industry in the PRC is highly regulated, a substantial amount of the products distributed by the Group are subject to the government price controls or other price restrictions in the PRC.

Outlook

The Group considers identifying and seeking new exclusive distribution rights and expansion of its sales and marketing network and strategy to be the two core strategies and also the main direction of the Group's sustainable development in the future.

Although under intensified competition in the pharmaceutical industry in the PRC, the Group identified and obtained new exclusive distribution rights of products in the Period, including Italy Levocarnitine Injection (左卡尼丁注射液) and Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉). We believe that the pharmaceutical industry in the PRC is still far from saturation and has plenty of room for further development and in turn, to expand our market share. However, we are cautiously optimistic about the business environment in the foreseeable future and will take all prudent steps to safeguard the Group's established distribution and operation network.

In order to capture the opportunity presented before us, the Group will continue to expand its marketing, promotion and channel management network by penetrating into hospitals and local community health centres which are not currently within the Group's distribution network, and cross-selling products to departments within the hospitals in the Group's distribution network.

In addition, the Group will continue to hire additional sales and marketing personnel to expand the Group's existing sales and marketing team to support the expansion of the Group's distribution network. The Group believes that establishing a strong and long-term relationship with the Group's suppliers and distributor customers and understanding how to market and sell the Group's products are crucial to the Group's success.

In order to achieve sustainable development, the Group is cautious in considering and evaluating investment opportunities in the PRC medical device market, as it believes that the PRC medical device market is in the process of opening up, which offers numerous investment opportunities with good potential.

FINANCIAL REVIEW

Revenue

The total revenue for the Period was approximately HK\$87,876,000, representing an increase of approximately 5.0% from approximately HK\$83,672,000 for the six months ended 30 June 2013. The increase was due to the sales from new products such as Italy Levocarnitine Injection (左卡尼丁注射液) and Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), which was partly offset by the decrease in revenue from the cessation of sales of the Group's products with relatively low gross profit margin.

Cost of sales

The cost of sales for the Period was approximately HK\$62,544,000, representing a decrease of approximately 4.1% from approximately HK\$65,217,000 for the six months ended 30 June 2013. Despite the increase in revenue, there was decrease in cost of sales, which was resulted from the increase in proportion of the revenue generated from products with relatively high gross profit margin.

Gross profit and gross profit margin

Gross profit for the Period has improved as compared with the gross profit for the six months ended 30 June 2013. The Group's average gross profit margin increased by approximately 6.7 percentage points, from approximately 22.1% for the six months ended 30 June 2013 to approximately 28.8% for the Period. Such increase on gross profit margin was mainly attributable to the increase in proportion of the revenue generated from products with relatively high gross profit margin (including the product Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊) and Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉)) rather than products with relatively low gross profit margin.

Other income and gains

Other income and gains for the Period were approximately HK\$1,091,000, which mainly included the interest income and sundry incomes, and represented an increase of approximately 3.9% from approximately HK\$1,050,000 for the six months ended 30 June 2013. Such increase in other income and gains was primarily attributable to the increase in sundry incomes.

Selling and distribution expenses

Selling and distribution expenses for the Period were approximately HK\$4,523,000, representing an increase of approximately 233.8% from approximately HK\$1,355,000 for the six months ended 30 June 2013. Such increase was primarily due to the increase in salaries and headcount. In addition, the Group participated in various marketing activities more frequently, especially those for promotion of the Group's new product Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉).

Administrative expenses

Administrative expenses for the Period was approximately HK\$5,055,000, representing an increase of approximately 51.4% from approximately HK\$3,339,000 for the six months ended 30 June 2013. Such increase was primarily due to the increase in salaries and headcount.

Listing expenses

Listing expenses for the Period was nil as compared to approximately HK\$5,418,000 for the six months ended 30 June 2013.

Finance costs

Finance costs for the Period were nil as compared to approximately HK\$3,855,000 for the six months ended 30 June 2013. The finance costs recorded in the corresponding period last year were mainly (i) the imputed interest adjustment on deposit paid to suppliers upon initial recognition of approximately HK\$3,014,000; and (ii) the interest on the Group's borrowings of approximately HK\$841,000 for the listing expenses and for payment in relation to the obtaining of distribution right by the Group at the end of 2012 and early 2013. The Group repaid all the borrowings for listing expenses and for payment in relation to the obtaining of distribution right during 2013.

Income tax expenses

Income tax expenses for the Period was approximately HK\$5,758,000, representing a increase of approximately 43.7% from approximately HK\$4,008,000 for the six months ended 30 June 2013. The increase was primarily due to the increase in taxable income.

Profit for the Period

Profit for the Period was approximately HK\$11,087,000, representing an increase of approximately HK\$9,557,000 from the profit of approximately HK\$1,530,000 for the six months ended 30 June 2013. The increase was primarily due to the increase in gross profit and the absence of finance costs and listing expenses in the Period, which was incurred by the Group for the six months ended 30 June 2013, despite that it was partially offset by the increase in selling and distribution expenses and administrative expenses.

Liquidity and financial resources

The Group maintained a healthy liquidity position during the Period. The Group was principally financed by internal resources and net proceeds from the Placing. As at 30 June 2014, the Group has net cash and cash equivalent balance amounting to approximately HK\$66,282,000 (31 December 2013: approximately HK\$93,409,000). The Group did not have any bank loan as at 30 June 2014 (31 December 2013: Nil).

Material acquisition or disposal

The Group had no material acquisition or disposal during the Period.

Contingent liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Capital structure

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

Pledge of assets

As at 30 June 2014, the Group has pledged the buildings and prepaid lease payments with aggregate carrying values of approximately HK\$12,315,000 (31 December 2013: HK\$12,710,000) to secure general banking facilities granted to the Group.

Significant investments

Save as disclosed in this report, the Group had no other significant investments during the Period.

Future plans for material investments

Save as disclosed in this report, the Group had no other future plan for material investments during the Period.

Employee information

As at 30 June 2014, the Group had 41 employees (31 December 2013: 38). Staff costs, including Directors' remuneration for the Period, amounted to approximately HK\$3,310,000 (six months ended 30 June 2013: 2,258,000). The Group's remuneration policy is based on position, duties and performance of the employees. The employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees.

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

Exchange risk

As the Group's operations are principally in the PRC, and majority of the Group's assets and liabilities are denominated in Renminbi ("RMB"), the Directors believe that the operations of the Group are not subject to significant exchange risk.

Use of proceeds from placing

On 25 October 2013, 280,000,000 shares of HK\$0.01 each of the Company were issued at an issue price of HK\$0.25 each by way of Placing. The net proceeds arising from the Placing were approximately HK\$41million, which was calculated based on the final placing price of HK\$0.25 per share and after deducting the actual expenses related to the Placing. During the Period, the net proceeds from the Placing had been applied as follows:

	Intended use of proceeds as shown in the prospectus for the Placing (the "Prospectus") during the Period <i>HK\$ million</i>	Actual use of the proceeds during the Period <i>HK\$ million</i>
To obtain new exclusive distribution rights of product	12.5	12.5
To continue expanding and strengthening the Group's distribution network and marketing efforts	1.9	1.9

The Board will constantly evaluate the Group's business objective and will change or modify plans against the changing market conditions to ascertain the business growth of the Group.

Comparison between business plan and actual business progress:

The following is a comparison between the Group's business plan as set out in the Prospectus and the actual business progress during the Period:

Business objectives as set out in the Prospectus

The Group will evaluate, explore and obtain 1 exclusive national distribution right(s) of new pharmaceutical products with a focus on Zhejiang province and Eastern China region

The Group will recruit approximately 3 to 4 sales and marketing personnel in its sales and marketing team for its business expansion

The Group will explore opportunities in organising, participating and sponsoring various medical seminars or conferences and product launching events

The Group will maintain its strong presence in Zhejiang province and will extend its presence to the second and third tier cities in the Zhejiang province and Eastern China region in the PRC

The Group will cooperate with medical institutions and practitioners in the PRC to participate in more clinical applications

The Group will organise and provide training programmes and marketing materials to medical practitioners and the Group's distributor customers, respectively

Implementation activities during the Period

In February 2014, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted the exclusive national distribution rights of the Cefamandole Nafate for Injection in the PRC

The Group increased 4 headcounts in its marketing team

The Group has participated in drugs fair held by PharmChina in Suzhou, a national pharmaceutical trade exhibition in April 2014

The Group has recruited marketing agents to carry out marketing activities promoting the Group's products in Zhejiang province

The Group has cooperated with certain medical institutions and practitioners in the PRC to participate in clinical applications

The Group has organised and provided training programmes and marketing materials to medical practitioners and the Group's distributor customers for the Group's new products, namely Cefamandole Nafate for Injection and Italy Levocarnitine Injection

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

As at 30 June 2014, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Name of Director	Capacity	Number of ordinary shares of the Company ("Shares")	Position	Approximate percentage of the total issued Shares
Zhou Ling ("Mr. Zhou")	Beneficial owner and interest of spouse	147,160,000 <i>(Note)</i>	Long	18.4%
Yang Fang ("Ms. Yang")	Beneficial owner and interest of spouse	147,160,000 <i>(Note)</i>	Long	18.4%
Dai Haidong ("Mr. Dai")	Beneficial owner	60,840,000	Long	7.6%

Note:

Mr. Zhou and Ms. Yang, being husband and wife, are deemed to be interested in all the 147,160,000 Shares which comprises 104,396,190 Shares and 42,763,810 Shares held by Mr. Zhou and Ms. Yang respectively.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debenture of the Company and its associated corporations.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2014, other than the interests disclosed above in respect of the Directors and Chief Executives of the Company, the following persons had an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

LONG POSITIONS IN SHARES AND UNDERLYING SHARES

Name	Capacity	Number of Ordinary Shares	Approximate percentage of the total issued Shares
Town Health Pharmaceutical Limited ("Town Health Pharmaceutical") (Note)	Beneficial owner	249,600,000	31.2%
Town Health (BVI) Limited ("Town Health (BVI)") (Note)	Interest of a controlled corporation	249,600,000	31.2%
Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited) ("Town Health International") (Note)	Interest of a controlled corporation	249,600,000	31.2%

Note:

Town Health Pharmaceutical is wholly-owned by Town Health (BVI) which is in turn wholly-owned by Town Health International. Accordingly, Town Health International and Town Health (BVI) are deemed to be interested in all the 249,600,000 Shares held by Town Health Pharmaceutical by virtue of the SFO. Mr. Lee Chik Yuet who is the executive Director of the Company, is currently also a Director of Town Health International, Town Health (BVI) and Town Health Pharmaceutical.

Save as disclosed above, no person had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

INTERESTS OF THE COMPLIANCE ADVISER AND ITS DIRECTORS, EMPLOYEES AND ASSOCIATES

As confirmed by Kingsway Capital Limited, the compliance adviser of the Company, none of Kingsway Capital Limited or its directors, employees or close associates was interested in the Shares or materially interested in any contract or arrangement of the Company as at 30 June 2014 or at any time during the Period.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2014 or at any time during the Period.

DIRECTORS' COMPETING INTERESTS

During the Period, none of the Directors, controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 25 October 2013 to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible persons and for such other purposes as the Board may approve from time to time. No share option was granted, exercised or cancelled by the Company under the Scheme during the Period and there was no outstanding share option under the Scheme as at 30 June 2014.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, at no time during Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Pursuant to a resolution passed by the Board on 18 March 2013, the Company had adopted all the requirements of the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules as its code provisions.

Code provision A.2.7 of the Corporate Governance Code requires that the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The Chairman of the Board during the Period, Mr. Zhou Ling, was himself an executive Director and as such compliance with this code provision was infeasible.

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.46 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by the Directors during the Period.

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

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the Directors.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ho Hau Cheung, *BBS, MH*, Mr. Sung Hak Keung, Andy and Mr. Leung Chi Kin. Mr. Sung Hak Keung, Andy is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the Period and this report.

By Order of the Board

New Ray Medicine International Holding Limited

Lee Chik Yuet

Executive Director

Hong Kong, 6 August 2014

As of the date of this report, the executive Directors are Mr. Zhou Ling, Mr. Dai Haidong, Ms. Yang Fang and Mr. Lee Chik Yuet; and the independent non-executive Directors are Mr. Ho Hau Cheung, BBS, MH, Mr. Sung Hak Keung, Andy and Mr. Leung Chi Kin.