



**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**

**Third Quarterly 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 GEM (“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 THIRD QUARTERLY RESULTS

The board (the “Board”) of directors (the “Directors”) of New Ray Medicine International Holding Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 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\$141,393,000, which has increased by 12.3% when compared to approximately HK\$125,894,000 recorded for the corresponding period in 2013.
- Gross profit margin was approximately 28.9%, an improvement by approximately 6.7 percentage points over the corresponding period in 2013.
- Profit attributable to owners of the Company was approximately HK\$19,121,000 during the Period, while it was approximately HK\$3,804,000 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 September 2014 (31 December 2013: zero).

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

For the nine months ended 30 September 2014

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	4	53,517	42,222	141,393	125,894
Cost of sales		(37,999)	(32,698)	(100,543)	(97,915)
		15,518	9,524	40,850	27,979
Other income and gains	5	582	307	1,673	1,357
Selling and distribution expenses		(2,095)	(738)	(6,618)	(2,093)
Administrative expenses		(2,253)	(1,672)	(7,308)	(5,011)
Listing expenses		-	(2,612)	-	(8,030)
Finance costs	6	-	(481)	-	(4,336)
Profit before tax		11,752	4,328	28,597	9,866
Income tax expenses	7	(3,718)	(2,054)	(9,476)	(6,062)
Profit for the period		8,034	2,274	19,121	3,804
<b>Other comprehensive (expense) income for the period:</b>					
Exchange difference arising on translation of functional currency to presentation currency		1,655	1,189	(1,757)	3,007
Total comprehensive income for the period		9,689	3,463	17,364	6,811
Profit for the period attributable to: owners of the Company		8,034	2,274	19,121	3,804
Total comprehensive income attributable to owners of the Company		9,689	3,463	17,364	6,811
Earnings per share:					
- Basic and diluted (HK cent)	9	1.01	0.44	2.39	0.73

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine months ended 30 September 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	-	-	-	-	-	19,121	19,121
Exchange differences arising on the translation of functional currency to presentation currency	-	-	-	-	(1,757)	-	(1,757)
Total comprehensive income for the period	-	-	-	-	(1,757)	19,121	17,364
Dividends	-	-	(20,000)	-	-	-	(20,000)
Transfer	-	-	-	2,446	-	(2,446)	-
At 30 September 2014 (unaudited)	8,000	54,681	50,167	12,765	11,566	73,383	210,562
At 1 January 2013	-	-	75,367	6,782	9,402	42,842	134,393
Profit for the period	-	-	-	-	-	3,804	3,804
Exchange differences arising on the translation of functional currency to presentation currency	-	-	-	-	3,007	-	3,007
Total comprehensive income for the period	-	-	-	-	3,007	3,804	6,811
Reorganization	2	-	(2)	-	-	-	-
Transfer	-	-	-	1,521	-	(1,521)	-
At 30 September 2013 (unaudited)	2	-	75,365	8,303	12,409	45,125	141,204

*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.

## 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. REORGANISATION

In preparing for the listing of Shares on 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 an aggregate 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 unaudited condensed consolidated results of the Group for the nine months ended 30 September 2014 (“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

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sale related taxes. The Group’s revenue during the Period is derived from distribution of pharmaceutical products.

### 5. OTHER INCOME AND GAINS

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Bank Interest income	231	70	565	220
Imputed interest and adjustment on deposits paid to suppliers	–	237	–	709
Sundry income	351	–	1,108	428
	<b>582</b>	307	<b>1,673</b>	1,357

6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	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	-	481	-	1,322
Imputed interest adjustment on deposits paid to suppliers upon initial recognition	-	-	-	3,014
	-	481	-	4,336

7. INCOME TAX EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	<b>Current Tax:</b>			
PRC Enterprise Income Tax ("EIT")	3,228	1,813	8,153	5,378
Deferred Tax	490	241	1,323	684
	3,718	2,054	9,476	6,062

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. DIVIDENDS

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



# New Ray Medicine International Holding Limited

## 9. 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 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Earnings</b>		(Note 2)		(Note 2)
Earnings for the purpose of basic and diluted earnings per Share	<b>8,034</b>	2,274	<b>19,121</b>	3,804
<b>Number of shares</b>				
Weighted average number of ordinary Shares for the purpose of basic earnings per Share (Note 1)	<b>800,000,000</b>	520,000,000	<b>800,000,000</b>	520,000,000
Basic earnings per Share (HK cent)	<b>1.01</b>	0.44	<b>2.39</b>	0.73

### 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 in 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.

## 10. EVENTS AFTER THE REPORTING PERIOD

On 27 October 2014, Mr. Zhou, Mr. Dai (Mr. Zhou and Mr. Dai collectively referred to as the "Vendors") and the Company entered into a placing agreement with the placing agent for the Vendors in relation to the placing ("Top-up Placing") of a maximum of 160,000,000 existing ordinary Shares by the Vendors at the placing price of HK\$0.56 per Share. On the same date, the Company entered into a subscription agreement with each of the Vendors, for the subscriptions ("Subscriptions") by the Vendors of such number of new ordinary Shares which is equal to the number of Shares actually placed by each of the Vendors under the Top-up Placing at the subscription price of HK\$0.56 per Share.

Completion of the Top-up Placing took place on 30 October 2014 and 160,000,000 Shares have been successfully placed by the Vendors. Completion of the Subscriptions took place on 5 November 2014 and 160,000,000 new Shares were issued by the Company to the Vendors. The Company received total net proceeds of approximately HK\$84.8 million (net of directly attributable expenses of approximately HK\$4.8 million) from the Subscriptions.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an established pharmaceutical distributor originated from Zhejiang province and headquartered in Hangzhou, Zhejiang province of the PRC. 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\$141,393,000, representing an increase of approximately 12.3% compared with that of the corresponding period in 2013. Such increase was due to the sale from the products, the distribution rights of which were newly acquired in 2014. However, it was partly offset by the decrease in revenue due to the Group's cessation in the sales of products with relatively low gross profit margin. The Group recorded gross profit margin of approximately 28.9% for the Period, which is a notable increase as compared to 22.2% of the corresponding period last year. Hence, the gross profit for the Period has a significant increase as compared with the gross profit for the nine months ended 30 September 2013. Net profit attributable to the owners of the Company for the Period was approximately HK\$19,121,000, as compared to the net profit attributable to the owners of the Company of approximately HK\$3,804,000 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 growth in sales of injection drugs, and (ii) the absence of finance costs and listing expenses for the Period which were incurred by the Group for the nine months ended 30 September 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\$8,030,000 and the finance costs were approximately HK\$4,336,000 in the corresponding period last year. The finance costs incurred for the nine months ended 30 September 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\$1,322,000 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.

## Recent developments

In the first nine 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 four products.

### **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 exclusive national distribution right 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 deposit for obtaining the distribution right 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 exclusive provincial distribution right 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 deposit for obtaining the distribution right 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 commenced in June 2014.

### **Cefmetazole Sodium for Injection (注射用頭孢美鈹鈉)**

In June 2014, the Company entered into a distribution agreement, pursuant to which the Group was granted exclusive provincial distribution right for Cefmetazole Sodium for Injection under one specification (i.e. 1.0g) in Hangzhou, Wenzhou, Huzhou and Jinhua of Zhejiang province. Pursuant to the distribution agreement, the distribution right will expire in June 2015 and the Group has paid RMB 1 million as the deposit for obtaining the distribution right of this product. The deposit shall be refundable upon expiry of the distribution right, subject to deduction of an amount calculated based on the shortfall between the actual sales amount and 80% of the sales target multiplied by the distribution price as stipulated in the distribution agreement. Cefmetazole Sodium for Injection is mainly used to treat bronchitis, pneumonia, chronic respiratory diseases and lung abscess. The sales of the Cefmetazole Sodium for Injection commenced in July 2014.

### **Cefprozil Granules (頭孢丙烯顆粒)**

In August 2014, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted exclusive national distribution right of Cefprozil Granules under two different specifications (i.e. 125mg x 6 packs and 125mg x 8 packs) in the PRC. Pursuant to the distribution agreement, the distribution period commenced from September 2014 to end of November 2015. The Group is not required to pay any deposit for obtaining the distribution right of this product. Cefprozil Granules is mainly used to treat upper respiratory tract infection, Streptococcus pyogenes pharyngitis and tonsillitis. The sales of Cefprozil Granules commenced in October 2014.

### **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 of the Group and also the main direction of the Group's sustainable development in 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), Cefprozil Granules (頭孢丙烯顆粒), Cefmetazole Sodium for Injection (注射用頭孢美鎰鈉) and Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉). The Group believes 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 its market share. However, the Group is 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\$141,393,000, representing an increase of approximately 12.3% from approximately HK\$125,894,000 for the nine months ended 30 September 2013. The increase was due to the revenue 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\$100,543,000, representing an increase of approximately 2.7% from approximately HK\$97,915,000 for the nine months ended 30 September 2013. The increase in revenue was higher than the increase 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 nine months ended 30 September 2013. The Group's average gross profit margin increased by approximately 6.7 percentage points, from approximately 22.2% for the nine months ended 30 September 2013 to approximately 28.9% for the Period. Such increase in 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\$1,673,000, which mainly included the interest income and sundry income, and represented an increase of approximately 23.3% from approximately HK\$1,357,000 for the nine months ended 30 September 2013. Such increase in other income and gains was primarily attributable to the increase in sundry income.

### Selling and distribution expenses

Selling and distribution expenses for the Period were approximately HK\$6,618,000, representing an increase of approximately 216.2% from approximately HK\$2,093,000 for the nine months ended 30 September 2013. Such increase was primarily due to the increase in salaries and headcount of the sales team. 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 were approximately HK\$7,308,000, representing an increase of approximately 45.8% from approximately HK\$5,011,000 for the nine months ended 30 September 2013. Such increase was primarily due to the increase in salaries and headcount of supporting staff.

### **Listing expenses**

Listing expenses for the Period was nil as compared to approximately HK\$8,030,000 for the nine months ended 30 September 2013.

### **Finance costs**

Finance costs for the Period were nil as compared to approximately HK\$4,336,000 for the nine months ended 30 September 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\$1,322,000 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 were approximately HK\$9,476,000, representing an increase of approximately 56.3% from approximately HK\$6,062,000 for the nine months ended 30 September 2013. The increase was primarily due to the increase in taxable income.

### **Profit for the Period**

Profit for the Period was approximately HK\$19,121,000, representing an increase of approximately HK\$15,317,000 from the profit of approximately HK\$3,804,000 for the nine months ended 30 September 2013. The increase was primarily due to the growth in sales of injection drugs and the absence of finance costs and listing expenses for the Period, which was incurred by the Group for the nine months ended 30 September 2013, despite that it was partially offset by the increase in selling and distribution expenses and administrative expenses.

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

As at 30 September 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:

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

<b>Name</b>	<b>Capacity</b>	<b>Number of Ordinary Shares</b>	<b>Approximate percentage of the total issued Shares</b>
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, 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 CLOSE 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 has any interest in relation to the Company which is required to be disclosed pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 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 September 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 in 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 September 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.

## **EVENTS AFTER THE REPORTING PERIOD**

- (1) On 27 October 2014, the Company entered into the following agreements:
  - (i) Mr. Zhou, Mr. Dai (Mr. Zhou and Mr. Dai collectively referred to as the "Vendors"), and the Company entered into a placing agreement ("Placing Agreement") with SBI China Capital Financial Services Limited ("Placing Agent") in relation to the placing ("Top-up Placing") of a maximum of 160,000,000 existing ordinary Shares ("Placing Shares") by the Vendors at the placing price of HK\$0.56 per Placing Share ("Placing Price") to not less than six placees, who will be professional, individual, institutional and/or corporate investors not connected with the Vendors or any of their respective associates or any connected persons of the Company;
  - (ii) Mr. Zhou and the Company entered into a subscription agreement ("Subscription Agreement I"), pursuant to which Mr. Zhou conditionally agreed to subscribe for such number of new ordinary Shares which is equal to the number of the Placing Shares actually placed by Mr. Zhou under the Placing Agreement, being a maximum of 99,160,000 new Shares at the subscription price of HK\$0.56 per Share ("Subscription Price"), which was equivalent to the Placing Price; and
  - (iii) Mr. Dai and the Company entered into a subscription agreement ("Subscription Agreement II"), pursuant to which the Mr. Dai conditionally agreed to subscribe for such number of new ordinary Shares which is equal to the number of the Placing Shares actually placed by Mr. Dai under the Placing Agreement, being a maximum of 60,840,000 new Shares at the subscription price of HK\$0.56 per Share, which was equivalent to the Placing Price (together with the subscription of new Shares in paragraph (ii) above collectively referred to as the "Subscriptions").

The Placing Price/Subscription Price of HK\$0.56 represented (i) a discount of approximately 17.65% to the closing price of HK\$0.680 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 19.08% to the average closing price of approximately HK\$0.692 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Placing Agreement. Details of Placing Agreement, Subscription Agreement I and Subscription Agreement II were set out in the announcement of the Company dated 27 October 2014.

- (2) On 30 October 2014, completion of the Top-up Placing took place in accordance with the terms of the Placing Agreement. On 5 November 2014, completion of the Subscriptions took place in accordance with the terms and conditions of the Subscription Agreement I and the Subscription Agreement II. The new Shares issued under the Subscriptions (“Subscription Shares”) were issued to Mr. Zhou and Mr. Dai under the general mandate granted by the Company to the Directors pursuant to a resolution passed at the annual general meeting of the Company held on 29 May 2014. The Company received total net proceeds of approximately HK\$84.8 million from the Subscriptions and the net price to the Company of each Subscription Share is approximately HK\$0.53. The aggregate nominal value of the Subscription Shares is HK\$1,600,000. The Company intends to use the total net proceeds from the Subscriptions as to about 20% for general working capital of the Group and as to about 80% for potential investment when opportunities arise. The net proceeds have not been utilised as at the date of this report. Details of the completion of the Top-up Placing and the Subscriptions were set out in the announcement of the Company dated 5 November 2014.

### **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 condensed consolidated results 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, 10 November 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.*