



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

First Quarterly Report
2015

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This report, for which the directors (“Directors”) of New Ray Medicine International Holding Limited (“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 enquiries, 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 FIRST QUARTERLY RESULTS

The board (“Board”) of directors (“Directors”) of New Ray Medicine International Holding Limited (“Company”) announces the unaudited condensed consolidated results (“Results”) of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2015 (“Period”) together with the comparative unaudited figures for the corresponding period in 2014 prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The Results have not been audited by the Company’s auditors but have been reviewed by the audit committee of the Board (“Audit Committee”).

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

For the three months ended 31 March 2015

		Three months ended 31 March	
	<i>Notes</i>	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	3	54,962	28,872
Cost of sales		(38,155)	(19,884)
		16,807	8,988
Other income and gains	4	439	171
Selling and distribution expenses		(2,063)	(1,456)
Administrative expenses		(3,418)	(2,307)
Profit before tax		11,765	5,396
Income tax expenses	5	(4,053)	(1,692)
Profit for the period		7,712	3,704
Other comprehensive income (expense) for the period:			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation of functional currency to presentation currency		160	(3,216)
Item that may be subsequently reclassified to profit or loss:			
Fair value gain on available-for-sale investments		1,662	–
Total comprehensive income for the period		1,822	(3,216)
		9,534	488
Profit for the period attributable to: owners of the Company		7,712	3,704
Total comprehensive income attributable to owners of the Company		9,534	488
Earnings per share:			
– Basic and diluted (HK cent)	7	0.80	0.46

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	Attributable to equity holders of the Company							
	Share Capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	PRC statutory reserve HK\$'000 (Note 1)	Investments revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2015	9,600	137,935	50,167	14,243	(860)	9,641	82,465	303,191
Profit for the period	-	-	-	-	-	-	7,712	7,712
Other comprehensive income for the period	-	-	-	-	1,662	-	-	1,662
Exchange differences arising on the translation of foreign operations	-	-	-	-	-	160	-	160
Total comprehensive income for the period	-	-	-	-	1,662	160	7,712	9,534
Transfer	-	-	-	1,166	-	-	(1,166)	-
At 31 March 2015 (unaudited)	9,600	137,935	50,167	15,409	802	9,801	89,011	312,725
At 1 January 2014	8,000	54,681	70,167	10,319	-	13,323	56,708	213,198
Profit for the period	-	-	-	-	-	-	3,704	3,704
Exchange differences arising on the translation of foreign operations	-	-	-	-	-	(3,216)	-	(3,216)
Total comprehensive income for the period	-	-	-	-	-	(3,216)	3,704	488
Transfer	-	-	-	612	-	-	(612)	-
At 31 March 2014 (unaudited)	8,000	54,681	70,167	10,931	-	10,107	59,800	213,686

Note:

- As stipulated by the relevant laws and regulations in the People's Republic of China ("PRC"), the Company's subsidiaries, namely Zhejiang Xin Rui Pharmaceutical Co. Ltd. and Zhejiang Hong Rui Trading Co. Ltd. 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 Hong Rui (Hangzhou) Bio-medical Technology Co. Ltd., being the Company's subsidiary and a wholly foreign-owned enterprise, appropriation to statutory surplus reserve fund is based on the management's discretion.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

New Ray Medicine International Holding Limited (“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 principal place of business in Hong Kong is located at Room 517, 5th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

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

The principal activity of the Company is investment holding. The Group is principally engaged in the trading of pharmaceutical products in the PRC.

2. 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 (“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 2014 with addition of the new and revised HKFRSs which are effective for the Group’s financial year beginning on 1 January 2015. 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.

3. 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 sales related taxes. The Group’s revenue during the Period was mainly derived from the trading of pharmaceutical products.

4. OTHER INCOME AND GAINS

	Three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Bank Interest income	438	171
Sundry income	1	—
	439	171

5. INCOME TAX EXPENSES

	Three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current Tax:		
PRC Enterprise Income Tax ("EIT")	3,571	1,574
Deferred Tax	482	118
	4,053	1,692

Under the Law of the PRC on Enterprise Income Tax ("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.

6. DIVIDENDS

The Board does not recommend the payment of any dividend for the Period (2014:Nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per Share attributable to the ordinary equity holders of the Company is based on the following data:

	Three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Earnings for the purpose of basic and dilute earnings per Share	7,712	3,704
Number of Shares		
Weighted average number of ordinary Shares for the purpose of basic earnings per Share (<i>Note</i>)	960,000,000	800,000,000
Basic earnings per Share (HK cent)	0.80	0.46

Note:

The basic and diluted earnings per Share for the respective periods are the same as there are no dilutive ordinary Shares.

8. MAJOR EVENTS

(i) ***Proposed acquisition of 50% of the equity interest of Saike International Medical Group Limited ("Saike International")***

On 20 March 2015, Major Bright Holdings Limited (a wholly-owned subsidiary of the Company) ("Major Bright") and Ms. Zhao Lei ("Vendor"), an independent third party, entered into the sale and purchase agreement ("SPA") in respect of the acquisition of 50% of the issued share capital of Saike International at an aggregate consideration of RMB95 million (equivalent to approximately HK\$118.8 million (subject to adjustments)("Proposed Acquisition"). Saike International and its subsidiaries are principally engaged in the trading of medical devices and equipment in the PRC. Completion of the Proposed Acquisition shall take place upon fulfilment or (if applicable) waiver of all the conditions precedents in the SPA. Major Bright paid the earnest money of RMB20 million (equivalent to approximately HK\$25.0 million) in cash to the Vendor on 4 March 2015 as part of the consideration for the Proposed Acquisition in accordance with a memorandum of understanding dated 14 February 2015. Pursuant to the SPA, the remaining consideration as to RMB75 million (equivalent to approximately HK\$93.8 million) shall be payable upon completion.

If any of the conditions precedent in the SPA shall not have been fulfilled or (if applicable) waived on 30 June 2015 (or such later date as agreed by the parties)("Long Stop Date"), the Vendor shall refund to Major Bright, without interest, a sum which is equal to the earnest money within five business days after the Long Stop Date.

The Company expects that it will take a certain period of time to complete the due diligence review which is one of the conditions precedent pursuant to the SPA. As at the date of this report, completion of the Proposed Acquisition has not yet taken place. Details of the Proposed Acquisition are set out in the Company's announcements dated 14 February 2015 and 20 March 2015.

(ii) Proposed placing of new Shares of the Company under specific mandate

On 27 February 2015, the Company and Gransing Securities Co., Limited ("Placing Agent") entered into the conditional placing agreement ("SM Placing Agreement") in relation to the offer by way of private placing ("SM Placing"), on a best endeavour basis, of up to 245,000,000 new ordinary Shares of HK\$0.01 each in the share capital of the Company ("SM Placing Share"), to not less than six placees who and whose ultimate beneficial owners are third party(ies) independent of the Company and not connected nor acting in concert with any of the connected persons of the Company or their respective associates, at a price of HK\$0.425 per SM Placing Share ("SM Placing Price") pursuant to the specific mandate ("Specific Mandate") to be obtained at the special general meeting of the Company ("SGM").

The SM Placing Price represents: (i) a discount of approximately 16.7% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the date of the SM Placing Agreement; and (ii) a discount of approximately 15.3% over the average closing price of HK\$0.502 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the SM Placing Agreement.

Completion of the SM Placing shall be subject to the conditions which include: (1) the Stock Exchange granting the listing of, and permission to deal in, the SM Placing Shares; and (2) Specific Mandate being obtained at the SGM.

The Directors considered that the SM Placing represented a good opportunity to raise capital for the Company while broadening the shareholders' base and strengthening the capital base of the Company. Assuming the maximum number of SM Placing Shares is placed under the SM Placing Agreement, the gross proceeds from the SM Placing will be approximately HK\$104.13 million and the net proceeds from the SM Placing will be approximately HK\$100.00 million (after deduction of commission and other expenses of the SM Placing). On such basis, the net issue price will be approximately HK\$0.408 per SM Placing Share. The aggregate nominal value of the maximum number of the Placing Shares will be HK\$2,450,000. The Company intends to utilise such net proceeds (i) as to about 10% for general working capital of the Group; and (ii) as to about 90% for financing the Proposed Acquisition.

On 27 April 2015, the ordinary resolution to approve the SM Placing and the grant of the Specific Mandate was duly passed as an ordinary resolution of the Company by the shareholders of the Company by way of poll at the SGM. On 7 May 2015, the Stock Exchange granted the conditional listing approval in respect of the SM Placing Shares.

As at the date of this report, the completion of the SM Placing has not yet taken place. Details of the SM Placing are set out in the Company's announcement dated 27 February 2015 and the Company's circular dated 1 April 2015.

(iii) Proposed transfer of the Listing

Pursuant to the Company's announcement dated 30 March 2015, the Company submitted a formal application to the Stock Exchange for the transfer of listing of the ordinary Shares from GEM to the main board of the Stock Exchange ("Main Board") under the transfer of listing arrangement pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules ("Proposed Transfer"). The Proposed Transfer will not involve any issue of new Shares by the Company.

The Proposed Transfer shall be subject to the conditions which include: (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares on the Main Board; and (b) all other relevant consents required or in connection with the implementation of the Proposed Transfer having been obtained, and the fulfilment of all conditions which may be attached to such consents, if any.

As at the date of this report, the Proposed Transfer has not yet taken place.

(iv) Formation of joint venture

On 11 December 2014, the joint venture agreement ("JV Agreement") was entered into between Sharp Shine International Limited ("Sharp Shine"), an indirect wholly-owned subsidiary of Town Health International Medical Group Limited, the issued shares of which are listed on the Main Board (stock code: 3886), and Brilliant Dream Holding Limited ("Brilliant Dream"), an indirect wholly-owned subsidiary of the Company. In accordance with the JV agreement, Sharp Shine and Brilliant Dream shall incorporate a company in the British Virgin Islands with limited liability which is to be held by Sharp Shine and Brilliant Dream as to 80% and 20% respectively ("JV Company"). The initial issued share capital of the JV Company shall be HK\$10, to be paid up in full by cash by Sharp Shine and Brilliant Dream as to 80% and 20% respectively within five business days from the date of incorporation of the JV Company. As at the date of this report, the JV Company has been formed.

Should appropriate investment opportunities in the medical and healthcare related business in the PRC ("Proposed Business") arise, Sharp Shine and Brilliant Dream will provide interest-free initial shareholders' loan in the aggregate sum of up to HK\$300 million to the JV Company in the proportion of 80%:20% with a view to financing the Proposed Business.

The Group is optimistic about the prospects and developments of the PRC healthcare market and of the view that the investment in the Proposed Business will enable the Group to diversify its business which will be beneficial to the long-term development of the Group.

As at the date of this report, no investment opportunity in relation to the Proposed Business has been identified. Hence, no interest-free initial shareholders' loan was provided to the JV Company as at the date of this report. Details of the formation of the JV Company are set out in the Company's announcements dated 11 December 2014 and 13 February 2015 and the Company's circular dated 27 January 2015.

(v) Increase in authorised share capital

Pursuant to the Company's circular dated 22 January 2015, the Board proposed to increase authorised share capital of the Company from HK\$10,000,000 to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,000,000,000 new Shares ("Increase in Authorised Share Capital") which was conditional upon the passing of an ordinary resolution at the SGM.

On 13 February 2015, the ordinary resolution to approve the Increase in Authorised Share Capital was duly passed by an ordinary resolution of the Company by the shareholders of the Company by way of poll at the SGM.

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 business in the PRC with a focus in Zhejiang province. The Group procured pharmaceutical products throughout the PRC from 29 suppliers and the Group sold the pharmaceutical products through a network of 122 distributor customers, of which 46 distributor customers cover Zhejiang province and the remaining 76 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\$54,962,000, representing an increase of approximately 90.4% compared with that of the corresponding period in 2014. Such increase was primarily due to the sales of new products, such as Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉) during the Period.

The Group recorded a gross profit margin of approximately 30.6% for the Period, which remained stable as compared to that of approximately 31.1% of the corresponding period last year. Hence, the gross profit for the Period increased significantly as compared with the three months ended 31 March 2014. Net profit attributable to equity shareholders of the Company for the Period was approximately HK\$7,712,000, as compared to the net profit attributable to equity shareholders of the Company of approximately HK\$3,704,000 recorded in the corresponding period last year. Such increase was primarily due to the sales of new products, such as Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉) during the Period, as compared to the absence of the same during the three months ended 31 March 2014, despite that it was partially offset by the increase in selling and distribution expenses, administrative expenses and income tax expenses incurred for the Period.

Recent Development

Zhejiang provincial collective tendering process

Generally, all pharmaceutical products procured by public hospitals and medical institutions in the PRC are subject to provincial collective tendering process that involves bidding by pharmaceutical manufacturers of these products. The latest provincial collective tendering process held in Zhejiang Province in 2014 involved three batches of tendering.

45 pharmaceutical products distributed by the Group had participated in the collective tendering processes in Zhejiang province of the PRC in 2014, out of which 39 products were involved in the Batch 1 and Batch 2 provincial collective tendering processes ("Batch 1 and Batch 2 Tendering Processes") and 6 products were involved in the Batch 3 provincial collective tendering process ("Batch 3 Tendering Process").

As per the tendering results of the Batch 1 and Batch 2 Tendering Processes released on 19 March 2015, 32 out of the 39 products distributed by the Group and which had participated in the Batch 1 and Batch 2 Tendering Processes won, representing a success rate of approximately 82.1%. The remaining 7 pharmaceutical products distributed by the Group which did not win in the Batch 1 and Batch 2 Tendering Processes contributed approximately HK\$546,000 to the revenue of the Group and approximately HK\$202,000 to the gross profit of the Group during the year ended 31 December 2014; and approximately HK\$240,000 to the revenue of the Group and approximately HK\$109,000 to the gross profit of the Group for the Period.

Since the revenue and profit generated from the pharmaceutical products which did not win in the Batch 1 and Batch 2 Tendering Processes respectively accounted for approximately 0.3% of the total revenue and approximately 0.3% of the total gross profit of the Group during the year ended 31 December 2014; and approximately 0.4% of the total revenue and approximately 0.6% of the total gross profit of the Group during the Period, the Directors do not anticipate that there would be any material adverse impact on the total sales of the Group as a result of the aforementioned tendering results.

The results of the Batch 3 Tendering Process is pending to be released.

Pursuant to 2014 Zhejiang Province Rules on Collective Procurement (Second Batch) of Pharmaceutical Products Tender Price (2014年浙江省藥品集中採購(第二批)投標產品價格梳理規則) promulgated in the PRC in March 2015, the price of certain pharmaceutical products in Zhejiang Province was adjusted downward. For those products affected by the price adjustments, the Group have re-negotiated and will continue to re-negotiate with the relevant suppliers to adjust the purchase prices and have re-negotiated and will continue to re-negotiate with the relevant distributor customers to adjust the selling prices. The Group may consider ceasing to distribute certain products or selecting other suppliers with a view to mitigating the impact of the price adjustments.

As a result of the latest re-negotiations with the relevant distributor customers and suppliers of the Group, it is expected that gross profit margins of 11 of the Group's products will be lifted upwards, gross profit margins of 9 of the Group's products will remain steady and gross profit margins of 12 of the Group's products will decrease.

In view of such results, the Directors of the Company currently do not anticipate that the results of operations of the Group will be materially and adversely affected by the above rules on tender prices.

RECENT DEVELOPMENT

Outlook

According to the World Health Organization, the PRC has a population of over 1.3 billion, with an annual growth of approximately 7 million. It is expected that the proportion of population aged 60 or above will reach 15% this year and further increase to 24% by 2030. As a result of the population's longer life expectancy, higher healthcare expenditure is expected. According to the National Bureau of Statistics of the PRC, the total national healthcare expenditure in the PRC nearly doubled from RMB1,754.2 billion in 2009 to RMB3,166.9 billion in 2013, representing a CAGR (Compound Annual Growth Rate) of about 15.9%. In 2013, the total national healthcare expenditure accounted for 5.6% of the GDP (Gross Domestic Product) in the PRC. The Group believes that the Group's business will benefit from the favorable market environment.

The Group will continue to strengthen its position so as to become one of the leading distributors of pharmaceutical products in the PRC. The Group will identify and obtain new exclusive distribution rights of prescription drugs should appropriate potential products and chances arise. The Group will also expand the Group's products sales channel to the second and third tier cities in the PRC and to new markets in Zhejiang province as well as other Eastern China regions which the Group has not yet explored.

Besides, the Group will continue to seek potential merger and acquisition opportunities in medical-related industries to diversify its business and create synergy for future development.

The Group intends to expand its marketing, promotion and sales 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 which are already covered in the Group's distribution network. The Group also plans to continue to expand its marketing, promotion and sales channel management network by adding promotion partners and distributors in areas where the Group has limited or no presence.

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.

FINANCIAL REVIEW

Revenue

The total revenue for the Period was approximately HK\$54,962,000, representing an increase of approximately 90.4% as compared to approximately HK\$28,872,000 recorded for the three months ended 31 March 2014. The increase was primarily due to the sales of new products, such as Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉) during the Period, as compared to the absence of the same during the three months ended 31 March 2014.

Cost of sales

The cost of sales for the Period was approximately HK\$38,155,000, representing an increase of approximately 91.9% as compared to approximately HK\$19,884,000 recorded for the three months ended 31 March 2014. The increase in cost of sales was attributable to the sales of new products, such as Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉) during the Period, as compared to the absence of the same during the three months ended 31 March 2014.

Gross profit and gross profit margin

The average gross profit margin for the Period remained steady as compared with that of the three months ended 31 March 2014. The Group's average gross profit margin decreased by 0.5 percentage point from approximately 31.1% for the three months ended 31 March 2014 to approximately 30.6% for the Period. The gross profit for the Period was approximately HK\$16,807,000, representing an increase of approximately 87.0% as compared to approximately HK\$8,988,000 recorded in the three months ended 31 March 2014. Such change was primarily due to the sales of new products, such as Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉) during the Period, as compared to the absence of the same during the three months ended 31 March 2014.

Other income and gains

Other income and gains for the Period, comprising bank interest income and sundry income, were approximately HK\$439,000 and represented an increase of approximately 156.7% as compared to approximately HK\$171,000 for the three months ended 31 March 2014. Such increase in other income and gains was primarily attributable to the higher level of average bank balances throughout the Period as compared to the same period in 2014.

Selling and distribution expenses

Selling and distribution expenses for the Period were approximately HK\$2,063,000, representing an increase of approximately 41.7% as compared approximately HK\$1,456,000 recorded for the three months ended 31 March 2014. Such increase was primarily due to the increase in salaries of the sales and marketing personnel. In addition, the Group was actively and frequently participating in various marketing activities in order to promote the Group's new products such as Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉).

Administrative expenses

Administrative expenses for the Period were approximately HK\$3,418,000, representing an increase of approximately 48.2% as compared to approximately HK\$2,307,000 recorded for the three months ended 31 March 2014. Such increase was due to (i) the increase in salaries of the back office staff; and (ii) the increase in legal and professional fees incurred for the application for the transfer of listing from GEM to the Main Board and the proposed acquisition of 50% of the issued share capital of Saike International.

Income tax expenses

Income tax expenses for the Period were approximately HK\$4,053,000, representing an increase of approximately 139.5% as compared to approximately HK\$1,692,000 recorded for the three months ended 31 March 2014. Such increase was primarily due to the increase in taxable profit and increase in expenses which are non-deductible for tax purposes. Increase in non-deductible expenses for tax purposes is primarily attributable to the increase in legal and professional fees incurred for the application for the transfer of listing from GEM to the Main Board and the proposed acquisition of 50% of the issued share capital of Saike International.

Profit for the Period

Profit for the Period was approximately HK\$7,712,000, representing an increase of approximately HK\$4,008,000 as compared to the profit of approximately HK\$3,704,000 recorded for the three months ended 31 March 2014. Such increase was primarily due to the sales of new products, such as Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉) during the Period, which increased the revenue and gross profit of the Group during the Period, as compared to the absence of the same during the three months ended 31 March 2014. However, the Profit was partially offset by the increase in selling and distribution expenses, administrative expenses and income tax expenses incurred for the Period.

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

As at 31 March 2015, the interests and short positions of the Directors and the 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 (Chapter 571 of the Laws of Hong Kong) ("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 held	Position	Approximate percentage of the total issued Shares <i>(Note 1)</i>
Zhou Ling ("Mr. Zhou")	Beneficial owner and interest of spouse	147,160,000 <i>(Note 2)</i>	Long	15.3%
Yang Fang ("Ms. Yang")	Beneficial owner and interest of spouse	147,160,000 <i>(Note 2)</i>	Long	15.3%
Dai Haidong ("Mr. Dai")	Beneficial owner	60,840,000	Long	6.3%

Notes:

- As at 31 March 2015, the issued share capital of the Company was 960,000,000 Shares of HK\$0.01 each.
- Mr. Zhou and Ms. Yang, being husband and wife, were deemed to be interested in all the 147,160,000 Shares which comprised 104,396,190 Shares and 42,763,810 Shares held by Mr. Zhou and Ms. Yang respectively.

Save as disclosed above, as at 31 March 2015, none of the Directors and the chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2015, other than the interests disclosed above in respect of the Directors and the chief executive 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 of the shareholders	Capacity	Number of ordinary Shares held	Approximate percentage of the total issued Shares <i>(Note 1)</i>
Town Health Pharmaceutical Limited ("Town Health Pharmaceutical") <i>(Notes 2 and 3)</i>	Beneficial owner	249,600,000	26.0%
Town Health (BVI) Limited ("Town Health (BVI)") <i>(Notes 2 and 3)</i>	Interest of a controlled corporation	249,600,000	26.0%
Town Health International Medical Group Limited ("Town Health International") <i>(Notes 2 and 3)</i>	Interest of a controlled corporation	249,600,000	26.0%

Notes:

- As at 31 March 2015, the issued share capital of the Company was 960,000,000 Shares of HK\$0.01 each.
- 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) were 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 an executive Director, is currently also a director of Town Health International, Town Health (BVI) and Town Health Pharmaceutical.

Save as disclosed above, as at 31 March 2015, no person (other than Directors or chief executive of the Company) 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 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 31 March 2015 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 31 March 2015 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 ("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 options were granted, exercised or cancelled by the Company under the Scheme during the Period and there were no outstanding share options under the Scheme as at 31 March 2015.

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 the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their respective close 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 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 the 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, 11 May 2015

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.