



New Ray Medicine International Holding Limited

新銳醫藥國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 6108

Interim Report
2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Ling (*Chairman*)
Mr. Dai Haidong (*Chief Executive Officer*)
Ms. Yang Fang
Mr. Lee Chik Yuet

Independent Non-executive Directors

Mr. Ho Hau Cheung, *BBS, MH*
Mr. Sung Hak Keung Andy
Mr. Leung Chi Kin

BOARD COMMITTEES

Audit Committee

Mr. Sung Hak Keung Andy (*Chairman*)
Mr. Ho Hau Cheung, *BBS, MH*
Mr. Leung Chi Kin

Remuneration Committee

Mr. Ho Hau Cheung, *BBS, MH* (*Chairman*)
Mr. Sung Hak Keung Andy
Mr. Leung Chi Kin

Nomination Committee

Mr. Leung Chi Kin (*Chairman*)
Mr. Ho Hau Cheung, *BBS, MH*
Mr. Sung Hak Keung Andy

Corporate Governance Committee

Mr. Lee Chik Yuet (*Chairman*)
Mr. Zhou Ling
Mr. Dai Haidong
Ms. Yang Fang

COMPANY SECRETARY

Mr. Lai Kwok Wa, HKICPA

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

6108

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEADQUARTERS

B-C, 37/F
Dikai International Center
19 Dangui Road
Hangzhou, the People's Republic of China ("PRC")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 517, 5th Floor
Town Health Technology Centre
10-12 Yuen Shun Circuit, Siu Lek Yuen
Shatin, New Territories, Hong Kong

PRINCIPAL BANKER

Agricultural Bank of China
Hangzhou Fu Rong Sub-branch
No. 21 Cai He Road
Jiangan District
Hangzhou City
Zhejiang Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.newraymedicine.com

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015:

- Revenue was approximately HK\$129,985,000, which has increased by approximately 47.9% when compared to approximately HK\$87,876,000 recorded for the corresponding period in 2014.
- Gross profit margin was approximately 30.5%, which was a further improvement by approximately 1.7 percentage points over the corresponding period in 2014.
- Profit attributable to owners of the Company was approximately HK\$15,645,000, which has increased by approximately 41.1% when compared to approximately HK\$11,087,000 for the corresponding period in 2014.

As at 30 June 2015:

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2015 (31 December 2014: zero).

The board (the "Board") of directors (the "Directors") of New Ray Medicine International Holding Limited (the "Company") is pleased to report the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 ("Period") together with the comparative unaudited figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	3	129,985	87,876
Cost of sales		(90,350)	(62,544)
		39,635	25,332
Other income and gains	4	1,729	1,091
Selling and distribution expenses		(7,551)	(4,523)
Administrative expenses		(8,421)	(5,055)
Profit before tax		25,392	16,845
Income tax expenses	5	(9,747)	(5,758)
Profit for the period	6	15,645	11,087
Other comprehensive income (expenses) for the period:			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation of functional currency to presentation currency		166	(3,412)
<i>Item that may be reclassified to profit or loss:</i>			
Fair value gain on available-for-sale investments		18,395	–
Total comprehensive income for the period		18,561	(3,412)
		34,206	7,675
Profit for the period attributable to owners of the Company		15,645	11,087
Total comprehensive income attributable to owners of the Company		34,206	7,675
Earnings per share:			
– Basic and diluted (HK cent)	8	1.52	1.38

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	10,580	7,718
Prepaid lease payments	9	8,092	8,182
Club debenture		625	625
Available-for-sale investments		45,334	18,723
Deposit paid for acquisition of an associate	10	24,700	–
Interest in a joint venture	11	–	–
Amount due from a joint venture	11	–	–
		89,331	35,248
Current assets			
Inventories	12	14,596	14,403
Trade and other receivables	13	181,176	128,949
Prepaid lease payments		192	192
Bank balances and cash		201,961	150,942
		397,925	294,486
Current liabilities			
Trade and other payables	14	36,209	16,212
Tax payable		7,450	5,347
		43,659	21,559
Net current assets		354,266	272,927
Total assets less current liabilities		443,597	308,175
Non-current liabilities			
Deferred tax liabilities		6,143	4,984
		437,454	303,191
Capital and reserves			
Share capital	15	12,050	9,600
Share premium and reserves		425,404	293,591
Equity attributable to owners of the Company		437,454	303,191

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company							
	Share Capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Statutory surplus reserve fund HK\$'000 (Note)	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	-	-	-	-	-	-	15,645	15,645
Other comprehensive income	-	-	-	-	18,395	-	-	18,395
Exchange differences arising on the translation of functional currency to presentation currency	-	-	-	-	-	166	-	166
Total comprehensive income for the period	-	-	-	-	18,395	166	15,645	34,206
Issue of shares upon the placing	2,450	101,675	-	-	-	-	-	104,125
Transaction costs attributable to issue of shares	-	(4,068)	-	-	-	-	-	(4,068)
Transfer	-	-	-	2,497	-	-	(2,497)	-
At 30 June 2015 (unaudited)	12,050	235,542	50,167	16,740	17,535	9,807	95,613	437,454
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

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 STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash outflow from operating activities	(14,263)	(6,257)
Net cash (outflow)/inflow from investing activities	(34,829)	46
Net cash (outflow)/inflow from financing activities	100,057	(20,000)
Increase/(decrease) in cash and cash equivalents	50,965	(26,211)
Cash and cash equivalents at beginning of period	150,942	93,409
Exchange gains/(losses) on cash and cash equivalents	54	(916)
Cash and cash equivalents at end of period	201,961	66,282
Analysis of balances of cash and cash equivalents		
Bank balances and cash	201,961	66,282

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 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 (the “Shares”) are listed on the Main Board (“Main Board”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding. The Group is principally engaged in pharmaceutical distribution businesses in the PRC. The Company’s functional currency is Renminbi (“RMB”). However, the consolidated financial statements are presented in Hong Kong dollars (“HK\$”) for the convenience of shareholders as it is listed in Hong Kong.

2. BASIS OF PREPARATION

The condensed consolidated financial statements (“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 Rules Governing the Listing of Securities on the Stock Exchange (“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 the 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 the Results.

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

3. 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 the 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 vitro diagnostic reagents and miscellaneous types of drugs, other than injection drugs, tablet drugs and capsule drugs

3. REVENUE AND SEGMENT INFORMATION (Continued)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 2.

Segment profit represents the gross profit attributable to each segment. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance. Segment information about these reportable and operating segments is presented below.

Six months ended 30 June 2015 (unaudited)

	Injection drugs <i>HK\$'000</i>	Tablet drugs <i>HK\$'000</i>	Capsule drugs <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External sales and segment revenue	111,312	1,297	15,514	1,862	129,985
RESULT					
Segment profit	33,389	188	5,347	711	39,635
Other income and gains					1,729
Selling and distribution expenses					(7,551)
Administrative expenses					(8,421)
Profit before tax					25,392

Six months ended 30 June 2014 (unaudited)

	Injection drugs <i>HK\$'000</i>	Tablet drugs <i>HK\$'000</i>	Capsule drugs <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)
Profit before tax					16,845

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Geographical information

The Group's operations are located in the PRC (country of domicile).

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

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Bank Interest income	1,257	334
Dividend income from available-for-sale investments	89	–
Sundry income	383	757
	1,729	1,091

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current Tax:		
PRC Enterprise Income Tax ("EIT")	8,588	4,925
Deferred Tax	1,159	833
	9,747	5,758

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 of the Company is 25%. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits in Hong Kong.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	744	544
Amortisation of prepaid lease payments	97	97
Staff costs, including Directors' emoluments	3,628	3,310
Minimum lease payments under operating leases in respect of rented premises	667	667
Cost of inventories recognised as an expense	90,350	62,544

7. DIVIDENDS

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Earnings		
Earnings for the purpose of basic and dilute earnings per share	15,645	11,087
Number of Shares		
Weighted average number of ordinary Shares for the purpose of basic earnings per share (Note)	1,026,694,444	800,000,000
Basic earnings per share (HK cent)	1.52	1.38

Note:

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

9. 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 2015 (unaudited)		
Net book amount as at 1 January 2015	8,374	7,718
Additions	–	3,623
Disposals	–	(25)
Foreign exchange difference	7	8
Depreciation and amortisation <i>(Note 6)</i>	(97)	(744)
Net book amount as at 30 June 2015	8,284	10,580
Net book amount as at 1 January 2014		
	8,736	7,051
Additions	–	259
Foreign exchange difference	(167)	(128)
Depreciation and amortisation <i>(Note 6)</i>	(97)	(544)
Net book amount as at 30 June 2014	8,472	6,638

10. DEPOSIT PAID FOR ACQUISITION OF AN ASSOCIATE

The amount represents a deposit paid by the Group for the acquisition of 50% equity interest in Saike International Medical Group Limited. The acquisition was completed on 16 July 2015. Details of the acquisition are disclosed in the announcements of the Company dated 14 February 2015, 20 March 2015 and 16 July 2015.

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

	As at 30 June 2015 (Unaudited) <i>HK\$'000</i>	As at 31 December 2014 (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 (Note)	616	616
Less: Impairment	(600)	(600)
Less: Share of post-acquisition loss that is in excess of the cost of the investment	(16)	(16)
	–	–

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

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.

Details of the Group’s joint venture as at 31 December 2014 and 30 June 2015 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 2015	31 December 2014	
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 considered that the amount formed 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 HKFRSs.

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

	As at 30 June 2015 (Unaudited) HK\$’000	As at 31 December 2014 (Audited) HK\$’000
Current assets	1,256	1,255
Non-current assets	–	–
Current liabilities	(1,275)	(1,274)
Non-current liabilities	–	–

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

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Revenue	–	–
Loss for the period/year	–	(6)
Other comprehensive income	–	–
Total comprehensive expenses for the period/year	–	(6)
Dividends received from the joint venture during the period/the year	–	–

Reconciliation of the above summarised financial information to the carrying amounts of the Group's interest in the joint venture recognised in the consolidated financial statements is as follows:

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Net liabilities of the joint venture	(19)	(19)
Proportion of the Group's 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 material restrictions on the ability of the joint venture of transferring funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

12. INVENTORIES

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Finished goods	14,596	14,403

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Trade receivables	82,908	61,295
Other prepayments	2,222	2,135
Prepayments to suppliers	33,461	19,397
Deposits paid to suppliers	62,098	45,445
Others	487	677
Total trade and other receivables	181,176	128,949

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.

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Trade receivables:		
0 – 30 days	34,837	24,750
31 – 60 days	38,602	31,914
61 – 90 days	4,513	2,709
91 – 180 days	4,956	1,922
	82,908	61,295

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.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Trade payables	18,771	8,579
Deposits received	125	187
Receipt in advance	10,583	556
Value-added tax payables	5,127	4,212
Other tax payables	114	301
Accruals	1,489	2,377
	36,209	16,212

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

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
0 – 30 days	12,442	6,455
31 – 60 days	2,269	5
61 – 90 days	447	825
Over 90 days	3,613	1,294
	18,771	8,579

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.

15. SHARE CAPITAL

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

Authorised Share Capital	Number of Shares	Amount <i>HK\$</i>
Ordinary Shares of HK\$0.01 each		
At 1 January 2014, 30 June 2014 and 31 December 2014	1,000,000,000	10,000,000
Increase pursuant to the ordinary resolution of the Company <i>(Note a)</i>	1,000,000,000	10,000,000
At 30 June 2015	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 January 2014 and 30 June 2014	800,000,000	8,000,000
Issue of Shares upon the Placing <i>(Note b)</i> At 31 December 2014	160,000,000 960,000,000	1,600,000 9,600,000
Issue of Shares upon the SM Placing <i>(Note c)</i>	245,000,000	2,450,000
At 30 June 2015	1,205,000,000	12,050,000

Notes:

- (a) As disclosed in the Company's circular dated 22 January 2015, the Board proposed to increase the 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 a special general meeting of the Company.

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

- (b) On 5 November 2014, the Company completed a top-up placing of 160,000,000 existing Shares and the allotment and issue of 160,000,000 new Shares under the general mandate to Mr. Zhou Ling and Mr. Dai Haidong, both being Directors, by way of subscription at a subscription price of HK\$0.56 per Share. The net proceeds from the subscription, after deducting directly attributable costs, were approximately HK\$84.8 million.

15. SHARE CAPITAL (Continued)

Notes: (Continued)

- (c) 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 Shares"), to not less than six placees who and whose ultimate beneficial owners were third parties 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 a special general meeting of the Company ("SGM"). The SM Placing Price represented: (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.

On 27 April 2015, the ordinary resolution to approve the SM Placing and the grant of the Specific Mandate was duly passed 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. On 12 May 2015, the Company completed the SM Placing of 245,000,000 SM Placing Shares under the Specific Mandate, at a placing price of HK\$0.425 per SM Placing Share. The gross proceeds from the SM Placing were approximately HK\$104.13 million. The net proceeds from the SM Placing, after deducting commission and other expenses of the SM Placing, were approximately HK\$100.0 million. On such basis, the net issue price was approximately HK\$0.408 per SM Placing Share. The aggregate nominal value of the SM Placing Shares was HK\$2,450,000. The Company intended 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 acquisition of 50% equity interest in Saike International Medical Group Limited ("Saike International"). As at the date of this report, approximately HK\$10.0 million of net proceeds was utilized as general working capital of the Group and approximately HK\$90.0 million of net proceeds was utilized for the acquisition of 50% equity interest in Saike International.

Details of the SM Placing are set out in the Company's announcements dated 27 February 2015 and 12 May 2015, and the Company's circular dated 1 April 2015.

All ordinary Shares issued during the year ended 31 December 2014 and up to 30 June 2015 rank pari passu with the then existing ordinary Shares in all respects.

16. PLEDGE OF ASSETS

As at 30 June 2015, the Group had pledged the buildings and prepaid lease payments with aggregate carrying amounts of approximately HK\$12,018,000 (31 December 2014: HK\$12,161,000) to secure general banking facilities granted to the Group.

17. 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 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Within one year	1,222	911
In the second to fifth year inclusive	1,557	2,024
	2,779	2,935

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are generally negotiated for terms from 2 to 5 years.

18. CAPITAL COMMITMENTS

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

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Capital expenditure on Haikou Xin Lang 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	1,629	1,628
Capital expenditure on Sea Star International Limited ("JV Company") in respect of the interest-free initial shareholders' loan contracted for but not proceeded in the consolidated financial statements	60,000	–

19. RELATED PARTY DISCLOSURES

(I) Transactions

During the Period, the Group entered into the following transactions with related parties:

Name of related party	Relationship	Nature of transactions/balances	For the six months ended 30 June	
			2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit Sources Limited	Subsidiary of Town Health	Rental expense and management fee (<i>Note</i>)	98	–
Mr. Yang Qi and his spouse	Family member of Ms. Yang Fang	Rental expense (<i>Note</i>)	344	347

Note:

The related party operating lease commitments with Yang Qi and his spouse and Town Health are included in note 17.

(II) Compensation of key management personnel

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short term benefits	1,081	724
Post employment benefits	75	51
	1,156	775

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

20. SUBSEQUENT EVENTS

(i) Acquisition of 50% equity interest in 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 a sale and purchase agreement ("SPA") in respect of the acquisition of 50% equity interest in Saike International ("Sale Shares") at an aggregate consideration of RMB95 million (equivalent to approximately HK\$118.8 million (subject to adjustments) ("Saike Acquisition"). Saike International and its subsidiaries are principally engaged in the trading of medical devices and equipment in the PRC. Completion of the Saike Acquisition ("Completion") 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 Saike 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.

On 16 July 2015, all the conditions precedent in the SPA have been fulfilled and the Completion took place on the same day. In connection with the Completion, on 16 July 2015, Major Bright and the Vendor entered into a put option deed ("Put Option Deed"), pursuant to which the Vendor granted a put option ("Put Option") to Major Bright entitling Major Bright to require the Vendor to purchase the Sale Shares from Major Bright at the put option exercise price in accordance with the terms and conditions of the Put Option Deed.

The Put Option is exercisable by Major Bright commencing on the date of Completion and ending on the earlier of (i) 30 April 2017; or (ii) the day on which the option notice is served by Major Bright to the Vendor.

Details of the Saike Acquisition and the Put Option Deed are set out in the Company's announcements dated 14 February 2015, 20 March 2015 and 16 July 2015.

(ii) Subscription of shares in Golden Throat Holdings Group Company Limited ("Golden Throat")

China New Rich Medicine Holding Co. Limited, a wholly-owned subsidiary of the Company, entered into the Cornerstone Investment Agreement in June 2015 as subscriber in respect of the subscription of shares in Golden Throat at an aggregate offer price of US\$4,000,000 (equivalent to approximately HK\$31,200,000). The subscription of shares in Golden Throat was completed in July 2015. The subscribed shares in Golden Throat are accounted for as available-for-sale investments under the consolidated financial statements of the Group.

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 procures pharmaceutical products throughout the PRC from 30 suppliers and the Group sells 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 promotes 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\$129,985,000, representing an increase of approximately 47.9% compared to that of the corresponding period in 2014. Such increase was primarily due to the significant increase in the sales of 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), Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊) and Cefmetazole Sodium for Injection (注射用頭孢美鈉) during the Period.

The Group recorded a gross profit margin of approximately 30.5% for the Period, which increased by 1.7 percentage points as compared to that of approximately 28.8% of the corresponding period last year. Hence, the gross profit for the Period increased significantly as compared to the six months ended 30 June 2014. Net profit attributable to owners of the Company for the Period was approximately HK\$15,645,000, which has increased by approximately 41.1% when compared to the net profit attributable to owners of the Company of approximately HK\$11,087,000 recorded in the corresponding period last year.

Such increase was primarily due to the significant increase in the sales of 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), Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊) and Cefmetazole Sodium for Injection (注射用頭孢美鈉) during the Period, as compared to the same period in 2014, despite that it was partially offset by the increase in selling and administrative expenses and income tax expenses incurred for the Period.

Revenue and Segment Information

Revenue attributable to each segment for the six months ended

	30 June 2015 (Unaudited)		30 June 2014 (Unaudited)	
	HK\$'000	%	HK\$'000	%
Injection drugs	111,312	85.6	79,865	90.9
Tablet drugs	1,297	1.0	3,175	3.6
Capsule drugs	15,514	11.9	4,825	5.5
Others	1,862	1.5	11	–
Total	129,985	100.0	87,876	100.0

(i) Injection drugs

The injection drugs segment generated a revenue of approximately HK\$111.3 million for the Period (2014: HK\$79.9 million), representing an increase of approximately 39.3% as compared to the corresponding period in 2014. Such increase was attributable to the significant increase in the sales of products, such as Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), Cefmetazole Sodium for Injection (注射用頭孢美鈇鈉) and Italy Levocarnitine Injection (進口左卡尼丁注射液) during the Period when compared to the same period in 2014. The sales of the Cefamandole Nafate for Injection, Cefmetazole Sodium for Injection and Italy Levocarnitine Injection commenced in April 2014, July 2014 and June 2014 respectively.

(ii) Tablet drugs

The tablet drugs segment generated a revenue of approximately HK\$1.3 million for the Period (2014: HK\$3.2 million), representing a decrease of approximately 59.4% as compared to the corresponding period in 2014. 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\$15.5 million for the Period (2014: HK\$4.8 million), representing an increase of approximately 2.2 times as compared to the corresponding period in 2014. Such increase was attributable to the increase in the 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\$1.9 million for the Period (2014: HK\$11,000). The increase was primarily due to the commencement of sales of several vitro diagnostic reagents in 2015.

Recent Development

Transfer of the Listing to Main Board

As disclosed in 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 the Growth Enterprise Market of the Stock Exchange ("GEM") to the Main Board under the transfer of listing arrangement pursuant to the relevant provisions of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") and the Listing Rules ("Main Board Transfer"). The Main Board Transfer would not involve any issue of new Shares by the Company.

The Main Board Transfer took place on 16 June 2015. Details of the Main Board Transfer are set out in the Company's announcements dated 30 March 2015 and 5 June 2015.

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 which were distributed by the Group and had participated in the Batch 1 and Batch 2 Tendering Processes won, representing a success rate of approximately 82.1%. 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, 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 are 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 has re-negotiated and will continue to re-negotiate with the relevant suppliers to adjust the purchase prices, and has 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 currently do not anticipate that the results of operations of the Group would be materially and adversely affected by the above rules on tender prices.

Formation of the JV Company

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 ("Town Health"), 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. 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 an 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.

Enhance its product portfolio

In the first half of 2015, 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 renewed the distribution rights of two products, namely Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊) and Moxifloxacin Hydrochloride Injection (鹽酸莫西沙星注射液) and acquired the distribution right of a product, namely Xiao Tong Ning Injection (消痛寧注射液).

Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊)

In April 2015, the Group re-entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted an exclusive national distribution right for the product Clostridium Butyricum Capsule under three different specifications (i.e. 12 pcs, 24 pcs and 36 pcs) in the PRC. Pursuant to the distribution agreement, the distribution period commenced from 1 April 2015 to 31 March 2016 and the Group paid RMB1 million as the deposit for obtaining the distribution right of the Clostridium Butyricum Capsule. Such deposit shall be refundable upon expiry of the distribution period, subject to deduction in proportion to the amount of sales of the Clostridium Butyricum Capsule which is below the sales target as stipulated in the aforementioned distribution agreement.

Moxifloxacin Hydrochloride Injection (鹽酸莫西沙星注射液)

In May 2015, the Group re-entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted an exclusive provincial distribution right for Moxifloxacin Hydrochloride Injection in Zhejiang province. Pursuant to the distribution agreement, the distribution period commenced from May 2015 to 31 December 2015 and the Group paid RMB8,000,000 as the deposit for obtaining the distribution right of Moxifloxacin Hydrochloride Injection. Such deposit shall be refundable upon expiry of the distribution period, subject to deduction in proportion to the amount of sales of Moxifloxacin Hydrochloride Injection which is below 80% of the sales target as stipulated in the aforementioned distribution agreement. The sales of the Moxifloxacin Hydrochloride Injection products is expected to commence in the third quarter of 2015.

Xiao Tong Ning Injection (消痛寧注射液)

In June 2015, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted an exclusive provincial distribution right for Xiao Tong Ning Injection in Zhejiang province. Pursuant to the distribution agreement, the distribution period commenced from June 2015 to the end of the next collective tendering period in Zhejiang province and the Group paid RMB7,000,000 as the deposit for obtaining the distribution right of the Xiao Tong Ning Injection. Such deposit shall be refundable upon expiry of the distribution period, subject to deduction in proportion to the amount of sales of Xiao Tong Ning Injection which is below 80% of the sales target as stipulated in the aforementioned distribution agreement. The sales of the Xiao Tong Ning Injection products is expected to commence in the third quarter of 2015.

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 channels 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 the medical-related industries to diversify its business and create synergy for future development. The Group intends to expand its marketing, promotion and sales channels 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 channels 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\$129,985,000, representing an increase of approximately 47.9% from approximately HK\$87,876,000 for the six months ended 30 June 2014. The increase was due to the significant increase in the sales of 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), Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉) during the Period.

Cost of sales

The cost of sales for the Period was approximately HK\$90,350,000, representing an increase of approximately 44.5% from approximately HK\$62,544,000 for the six months ended 30 June 2014. The increase in cost of sales to a lesser extent than the increase in revenue was resulted from the increase in proportion of the revenue generated from products with relatively high gross profit margin, such as Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) and Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊).

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 2014. The Group's average gross profit margin increased by approximately 1.7 percentage points, from approximately 28.8% for the six months ended 30 June 2014 to approximately 30.5% 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, such as 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\$1,729,000, which mainly included the interest income and sundry income, and represented an increase of approximately 58.5% from approximately HK\$1,091,000 for the six months ended 30 June 2014. Such increase in other income and gains was primarily attributable to the increase in interest income.

Selling and distribution expenses

Selling and distribution expenses for the Period were approximately HK\$7,551,000, representing an increase of approximately 66.9% from approximately HK\$4,523,000 for the six months ended 30 June 2014. 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 image and for promotion of the Group's product Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉).

Administrative expenses

Administrative expenses for the Period were approximately HK\$8,421,000, representing an increase of approximately 66.6% from approximately HK\$5,055,000 for the six months ended 30 June 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 Main Board Transfer and the acquisition of 50% equity interest in Saike International.

Income tax expenses

Income tax expenses for the Period were approximately HK\$9,747,000, representing an increase of approximately 69.3% from approximately HK\$5,758,000 for the six months ended 30 June 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 was primarily attributable to the increase in selling and distribution expenses for promotion of the Group's image and the legal and professional fees incurred for the application for the Main Board Transfer and the acquisition of 50% equity interest in Saike International.

Profit for the Period

Profit for the Period was approximately HK\$15,645,000, representing an increase of approximately HK\$4,558,000 from the profit of approximately HK\$11,087,000 for the six months ended 30 June 2014. Such increase was mainly due to the significant increase in the sales of 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), Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉) during the Period, as compared to the same period in 2014, which increased the revenue and gross profit of the Group during the Period. However, the Profit was partially offset by the increase in selling and administrative expenses and income tax expenses incurred for the Period.

Liquidity and financial resources

The Group maintained a healthy liquidity position during the Period. During the Period, the Group was principally financed by internal resources and net proceeds from the Placing (as defined below). As at 30 June 2015, the Group had net cash and cash equivalents balance amounting to approximately HK\$201,961,000 (31 December 2014: approximately HK\$150,942,000). The Group did not have any bank loan as at 30 June 2015 (31 December 2014: Nil).

Material acquisition or disposal

On 20 March 2015, the Group entered into the SPA for the acquisition of 50% equity interest in Saike International. On 16 July 2015, all the conditions precedent to the SPA have been fulfilled and the Completion took place on the same day. Details of such acquisition are set out in the Company's announcements dated 14 February 2015, 20 March 2015 and 16 July 2015. Save as aforesaid, the Group had no material acquisition or disposal during the Period.

Contingent liabilities

As at 30 June 2015, 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 2015, the Group had pledged the buildings and prepaid lease payments with aggregate carrying values of approximately HK\$12,018,000 (31 December 2014: HK\$12,161,000) to secure general banking facilities granted to the Group.

Significant investments

The Group's available-for-sale investments, representing equity securities listed in Hong Kong, are stated at fair value which have been determined based on the quoted market bid prices available on the Stock Exchange. During the Period, increase in fair value of the listed securities amounting to HK\$18,395,000 was recognised as the investments revaluation reserve.

Future plans for material investments

Save as disclosed in this report, the Group currently does not have other future plan for material investments.

Employee information

As at 30 June 2015, the Group had 47 employees (31 December 2014: 42). Staff costs, including Directors' remuneration for the Period, amounted to approximately HK\$3,628,000 (six months ended 30 June 2014: 3,310,000). 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 benefits 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 the Placing

The Company was listed on GEM in October 2013 by way of placing of 280,000,000 shares of HK\$0.01 each of the Company at an issue price of HK\$0.25 each ("Placing"). The net proceeds arising from the Placing were approximately HK\$41 million, 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 products	12.5	12.5
To continue expanding and strengthening the Group's distribution network and marketing efforts	0.4	0.4

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

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 one exclusive national distribution right 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 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

During the Period, the Group renewed the distribution rights of two products, namely Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊) and Moxifloxacin Hydrochloride Injection (鹽酸莫西沙星注射液) and acquired the distribution right of a new product, namely Xiao Tong Ning Injection (消痛寧注射液)

The Group increased 4 headcounts in its marketing team

The Group participated in various medical seminars or conferences for the Group's products, namely Cefamandole Nafate for Injection and Italy Levocarnitine Injection

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

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

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

OTHER INFORMATION

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

As at 30 June 2015, the interests and short positions 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 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are as follows:

Name of Director	Capacity	Number of ordinary Shares of the Company	Position	Approximate percentage of the total issued Shares <i>(Note 2)</i>
Zhou Ling ("Mr. Zhou")	Beneficial owner and interest of spouse	147,160,000 <i>(Note 1)</i>	Long	12.21%
Yang Fang ("Ms. Yang")	Beneficial owner and interest of spouse	147,160,000 <i>(Note 1)</i>	Long	12.21%
Dai Haidong ("Mr. Dai")	Beneficial owner	60,840,000	Long	5.05%

Notes:

1. Mr. Zhou and Ms. Yang, being husband and wife, are deemed to be interested in all the 147,160,000 Shares which comprise 104,396,190 Shares and 42,763,810 Shares held by Mr. Zhou and Ms. Yang respectively.
2. The total number of the 1,205,000,000 Shares in issue as at 30 June 2015 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations 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 Model Code.

SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2015, other than the interests disclosed above in respect of the Directors and 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	Capacity	Number of ordinary Shares	Approximate percentage of the total issued Shares (Note 2)
Town Health Pharmaceutical Limited ("Town Health Pharmaceutical") (Note 1)	Beneficial owner	249,600,000	20.71%
Town Health (BVI) Limited ("Town Health (BVI)") (Note 1)	Interest of a controlled corporation	249,600,000	20.71%
Town Health International Medical Group Limited ("Town Health") (Note 1)	Interest of a controlled corporation	249,600,000	20.71%

Notes:

1. Town Health Pharmaceutical is wholly-owned by Town Health (BVI) which is in turn wholly-owned by Town Health. Accordingly, Town Health 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, Town Health (BVI) and Town Health Pharmaceutical.
2. The total number of the 1,205,000,000 Shares in issue as at 30 June 2015 has been used for the calculation of the approximate percentage.

Save as disclosed above, 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 THE COMPLIANCE ADVISER AND ITS DIRECTORS, EMPLOYEES AND ASSOCIATES

As confirmed by Kingsway Capital Limited, the compliance adviser of the Company, neither Kingsway Capital Limited nor any of 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 2015 or at any time during the Period.

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. The Scheme remains effective following the Main Board Transfer and will be implemented in compliance with the requirements of Chapter 17 of the Listing Rules. 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 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 Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the 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

The Main Board Transfer (i.e. the transfer of listing of the ordinary Shares of the Company from GEM to the Main Board) took place on 16 June 2015. Prior to the Main Board Transfer, the Company had adopted all the requirements of the code provisions of the Corporate Governance Code (“GEM CG Code”) as set out in Appendix 15 to the GEM Listing Rules as its code provisions. Immediately after the Main Board Transfer, the Company adopted all the requirements of the code provisions of the Corporate Governance Code (“Main Board CG Code”) as set out in Appendix 14 to the Listing Rules as its code provisions.

Code provisions A.2.7 of the GEM CG Code and the Main Board CG Code require 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 being present. The chairman of the Board during the Period, Mr. Zhou Ling, was himself an executive Director and as such compliance with these code provisions was infeasible.

Save as disclosed above, from 1 January 2015 to 15 June 2015 (being the date immediately before the Main Board Transfer taking place), the Company had complied with the GEM CG Code to the extent applicable and permissible to the Company. Save as disclosed above, from 16 June 2015 (being the date on which the Main Board Transfer took place) to 30 June 2015, the Company had complied with the Main Board CG Code to the extent applicable and permissible to the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Prior to the Main Board Transfer, the Company had adopted Rules 5.46 to 5.67 of the GEM Listing Rules (“GEM Model Code”) as its own code of conduct regarding securities transactions by the Directors. Immediately after the Main Board Transfer, the Company adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Main Board Model Code”) set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all Directors, all Directors had complied with the required standard set out in the GEM Model Code for the period from 1 January 2015 to 15 June 2015 (being the date immediately before the Main Board Transfer taking place) and the Main Board Model Code for the period from 16 June 2015 (being the date on which the Main Board Transfer took place) to 30 June 2015 and its code of conduct regarding directors’ securities transactions by the Directors adopted by the Company.

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.

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.

On behalf of the Board

New Ray Medicine International Holding Limited

Lee Chik Yuet

Executive Director

Hong Kong, 20 August 2015