



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

2016 Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Ling (*Chairman*)

Ms. Yang Fang (*Chief Executive Officer*)

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

Ms. Yang Fang (*Chief Executive Officer*)

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

Jianggan 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 2016:

- Revenue was approximately HK\$103,568,000, which has decreased by approximately 20.3% when compared to approximately HK\$129,985,000 for the corresponding period in 2015.
- Net loss attributable to owners of the Company for the six months ended 30 June 2016 was approximately HK\$420,000, while the net profit attributable to owners of the Company was approximately HK\$15,645,000 for the same period last year.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016.

As at 30 June 2016:

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2016 (31 December 2015: 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 2016 ("Period") together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	103,568	129,985
Cost of sales		(83,339)	(90,350)
Other income, gains and losses	4	20,229	39,635
Selling and distribution expenses		(4,989)	1,729
Administrative expenses		(8,030)	(7,551)
Share of profit of an associate	10	(8,718)	(8,421)
		4,936	–
Profit before tax		3,428	25,392
Income tax expenses	5	(3,848)	(9,747)
(Loss) profit for the period	6	(420)	15,645
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		(5,300)	166
<i>Items that may be reclassified to profit or loss:</i>			
Fair value gain on available-for-sale investments		11,054	18,395
Reclassification adjustment upon impairments on available-for-sale investments		440	–
Released on disposal of available-for-sale investments		5,105	–
Share of exchange differences of an associate		(459)	–
Total comprehensive income for the period		10,840	18,561
		10,420	34,206
(Loss) profit for the period attributable to owners of the Company		(420)	15,645
Total comprehensive income attributable to owners of the Company		10,420	34,206
			(Restated)
(Loss) earnings per share:			
– Basic and diluted (HK cent)	8	(0.14)	7.62

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	8,348	9,434
Prepaid lease payments	9	7,373	7,635
Prepayment for a distribution right		31,742	34,388
Intangible asset		16,960	18,308
Club debenture		584	597
Available-for-sale investments		70,105	73,456
Interests in associates	10	132,014	127,537
Interest in a joint venture	11	–	–
Amount due from a joint venture	11	–	–
		267,126	271,355
Current assets			
Inventories	12	5,641	6,122
Trade and other receivables	13	200,229	165,695
Amount due from an associate	10	–	12,601
Prepayment for a distribution right		3,734	3,821
Prepaid lease payments		179	183
Bank balances and cash		67,023	56,795
		276,806	245,217
Current liabilities			
Trade and other payables	14	24,468	29,483
Tax payable		2,723	2,708
		27,191	32,191
Net current assets		249,615	213,026
Total assets less current liabilities		516,741	484,381
Non-current liabilities			
Deferred tax liabilities		6,572	6,718
		510,169	477,663
Capital and reserves			
Share capital	15	17,352	14,460
Share premium and reserves		492,817	463,203
Equity attributable to owners of the Company		510,169	477,663

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	PRC statutory reserve HK\$'000 (Note)	Investments revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2016	14,460	299,278	50,167	18,674	2,929	(683)	92,838	477,663
Loss for the period	-	-	-	-	-	-	(420)	(420)
Other comprehensive income	-	-	-	-	16,599	(5,759)	-	10,840
Total comprehensive income for the period	-	-	-	-	16,599	(5,759)	(420)	10,420
Issue of shares upon placing	2,892	20,244	-	-	-	-	-	23,136
Transaction costs attributable to issue of shares	-	(1,050)	-	-	-	-	-	(1,050)
Transfer	-	-	-	1,330	-	-	(1,330)	-
At 30 June 2016 (unaudited)	17,352	318,472	50,167	20,004	19,528	(6,442)	91,088	510,169
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	166	-	18,561
Total comprehensive income for the period	-	-	-	-	18,395	166	15,645	34,206
Issue of shares upon 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

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 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

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash outflow from operating activities	(38,575)	(14,263)
Net cash inflow/(outflow) from investing activities	14,833	(34,829)
Net cash inflow from financing activities	34,687	100,057
Increase in cash and cash equivalents	10,945	50,965
Cash and cash equivalents at beginning of period	56,795	150,942
Effect of foreign exchange rate changes	(717)	54
Cash and cash equivalents at end of period	67,023	201,961
Analysis of balances of cash and cash equivalents		
Bank balances and cash	67,023	201,961

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 October 2013. On 16 June 2015, the Company transferred the listing of its shares from GEM to the Main Board of 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 2015 with addition of the new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2016. 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.

Specifically, 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 and granule drugs – trading of capsule and granule drugs
- (iv) Others – trading of miscellaneous types of drugs, other than injection drugs, tablet drugs and capsule and granule 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 2016 (unaudited)

	Injection drugs HK\$'000	Tablet drugs HK\$'000	Capsule and granule drugs HK\$'000	Others HK\$'000	Total HK\$'000
REVENUE					
External sales and segment revenue	91,385	208	11,401	574	103,568
RESULT					
Segment profit	18,854	17	1,293	65	20,229
Other income, gains and losses					(4,989)
Selling and distribution expenses					(8,030)
Administrative expenses					(8,718)
Share of profit of an associate					4,936
Profit before tax					3,428

Six months ended 30 June 2015 (unaudited)

	Injection drugs HK\$'000	Tablet drugs HK\$'000	Capsule and granule drugs HK\$'000	Others HK\$'000	Total HK\$'000
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)
Share of profit of an associate					-
Profit before tax					25,392

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, GAINS AND LOSSES

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Bank Interest income	170	1,257
Dividend income from available-for-sale investments	386	89
Sundry income	–	383
Impairment loss on available-for-sale investments	(440)	–
Realised loss on disposal of available-for-sale investments	(5,105)	–
	(4,989)	1,729

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current Tax:		
PRC Enterprise Income Tax ("EIT")	3,848	8,588
Deferred Tax	–	1,159
	3,848	9,747

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. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	957	744
Amortisation of prepaid lease payments	93	97
Amortisation of intangible assets	944	–
Amortisation of prepayment for a distribution right	1,889	–
Minimum lease payments under operating leases in respect of rented premises	592	667
Cost of inventories recognised as an expense	83,339	90,350

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the Period (2015: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic and dilute earnings per share	(420)	15,645
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	309,332,155	205,338,889
Basic (loss) earnings per share (HK cent)	(0.14)	7.62

Note:

The basic and diluted (loss) earnings per share for the respective periods are the same as there are no dilutive ordinary shares. The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended 30 June 2015 has been adjusted and restated for the Share Consolidation (as defined below) which was effective on 15 March 2016, details of which are set out in note 15.

9. PREPAID LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

	Prepaid Lease Payments HK\$'000	Property, plant and equipment HK\$'000
Net book amount as at 1 January 2016	7,818	9,434
Additions	–	78
Foreign exchange difference	(173)	(207)
Depreciation and amortisation (Note 6)	(93)	(957)
Net book amount as at 30 June 2016 (unaudited)	7,552	8,348
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 (Note 6)	(97)	(744)
Net book amount as at 30 June 2015 (unaudited)	8,284	10,580

10. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Cost of unlisted investments in associates	118,631	118,631
Share of post-acquisition profit and other comprehensive income	13,383	8,906
	132,014	127,537
Amount due from an associate	–	12,601

The interests in associates represent 20.0% equity interest in Sea Star International Limited ("Sea Star"), a company incorporated in the British Virgin Islands ("BVI") in 2015 and 50.0% equity interest in Saike International Medical Group Limited ("Saike International"), a company also incorporated in the BVI in July 2014. The Group is able to exercise significant influence over Sea Star and Saike International as the Group has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies. Accordingly, Sea Star and Saike International are regarded as associates of the Group.

10. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (Continued)

Details of the Group's associates as at 31 December 2015 and 30 June 2016 are as follows:

Name	Place of incorporation/ operation	Proportion of nominal value of issued capital/registered capital held by the Group as at 31 December 2015 and 30 June 2016	Principal activities
		30 June 2016	
Sea Star	BVI	20.0% (Note a)	Medical and healthcare related business in the PRC
Saike International	BVI	50.0% (Note b)	Trading of medical devices and equipment in the PRC

Notes:

- (a) On 11 December 2014, Brilliant Dream Holding Limited ("Brilliant Dream"), an indirect wholly-owned subsidiary of the Company and Sharp Shine International Limited ("Sharp Shine"), an indirect wholly-owned subsidiary of Town Health International Medical Group Limited ("Town Health"), whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 3886), entered into an agreement to incorporate a company, Sea Star, in the BVI with limited liability which would be held by Sharp Shine and Brilliant Dream as to 80% and 20% respectively. Sea Star was intended to be engaged in the medical and healthcare related business in the PRC. Sharp Shine and Brilliant Dream will provide interest-free initial shareholders' loan in an aggregate sum of up to HK\$300,000,000 to Sea Star in the proportion of 80% and 20% with a view to financing the proposed business. Up to 30 June 2016, there was no shareholders' loan made to the investee.

Details of the formation of Sea Star 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.

- (b) On 20 March 2015, Major Bright Holdings Limited ("Major Bright"), a wholly-owned subsidiary of the Company and Ms. Zhao Lei ("Vendor"), an independent third party, entered into a sale and purchase agreement ("S&P Agreement") in respect of the acquisition of 50% equity interest in Saike International ("Sale Shares") at an aggregate consideration of RMB95,000,000 (equivalent to approximately HK\$118,631,000) ("Saike Acquisition"). Saike International and its subsidiaries ("Saike Group") are principally engaged in the trading of medical devices and equipment in the PRC.

10. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (Continued)

Notes: (Continued)

(b) (Continued)

On 16 July 2015, all the conditions precedent in the S&P Agreement have been fulfilled and the completion of Saike Acquisition ("Completion") took place on the same day. In connection with the Completion, 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 requiring the Vendor to purchase the Sale Shares from Major Bright at the put option exercise price (which approximates the consideration to acquire the Sales Shares minus any payment for the shortfall of the targeted profit requirement with interest thereon under the S&P Agreement) 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. In the opinion of the Directors, the Group has no intention to exercise such Put Option as at 30 June 2016 and the date of this report, and therefore the value of the Put Option has no material impact to the Group.

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.

Included in the cost of interests in associates is goodwill of HK\$111,318,000 arising from the Saike Acquisition. During the year ended 31 December 2015, the Group has advanced a total of HK\$12,601,000 to Saike International for its operations. The amount carries a fixed interest rate of 8% per annum, is unsecured and repayable on demand. The amount has been fully repaid subsequent to 31 December 2015.

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRS. The associates are accounted for using equity method in these consolidated financial statements.

Saike International

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Current assets	87,187	98,333
Non-current assets	2,273	2,356
Net assets attributable to owners of Saike International	41,392	32,438

10. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (Continued)**Saike International** (Continued)

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue for the period	49,828	N/A
Profit for the period	9,872	N/A
Other comprehensive expense for the period	(918)	N/A
Total comprehensive income for the period	8,954	N/A
Group's share of profit of Saike International for the period	4,936	N/A
Dividends received from Saike International during the period	-	N/A

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

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Net assets of Saike International	41,392	32,438
Proportion of the Group's ownership interest in Saike International	50%	50%
Goodwill	20,696 111,318	16,219 111,318
Carrying amounts of the Group's interest in Saike International	132,014	127,537

Significant restriction

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

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

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
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)
	–	–

The interest in a joint venture represents 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 2015 and 30 June 2016 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 2016	31 December 2015	
Haikou Xin Lang	PRC	50.1%	50.1%	Medical technology development, biological technology development and medical consulting

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

Note:

The amount due from the joint venture to the Group 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 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Current assets	1,178	1,204
Non-current assets	–	–
Current liabilities	(1,198)	(1,224)
Non-current liabilities	–	–

	Six months ended 30 June 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	–	–
Loss for the period	–	–
Other comprehensive expense for the period	–	–
Total comprehensive expenses for the period	–	–
Dividends received from the joint venture during the period	–	–

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

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 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Net liabilities of the joint venture	(20)	(20)
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 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Finished goods	5,641	6,122

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Trade receivables	49,413	52,866
Other prepayments	1,738	1,364
Prepayments to suppliers	71,659	44,430
Deposits paid to suppliers	77,141	66,788
Others	278	247
Total trade and other receivables	200,229	165,695

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 periods.

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Trade receivables:		
0 – 30 days	15,613	19,424
31 – 60 days	24,726	26,271
61 – 90 days	6,248	4,445
91 – 180 days	2,826	2,726
	49,413	52,866

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. Credit limits offered 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 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Trade payables	14,208	18,206
Deposits received	1,047	507
Receipt in advance	3,551	3,056
Value-added tax payables	1,922	3,541
Other tax payables	190	312
Accruals	3,550	3,861
	24,468	29,483

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 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
0 – 30 days	8,334	11,044
31 – 60 days	3,455	740
61 – 90 days	1,029	1,612
Over 90 days	1,390	4,810
	14,208	18,206

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 HK\$'000
At 1 January 2015	1,000,000,000	10,000
Increase pursuant to the ordinary resolution of the Company (Note a)	1,000,000,000	10,000
At 30 June 2015 and 31 December 2015	2,000,000,000	20,000
Decrease pursuant to the Share Consolidation (Note b)	(1,600,000,000)	–
Increase pursuant to the ordinary resolution of the Company (Note c)	400,000,000	20,000
At 30 June 2016	800,000,000	40,000
Issued and fully paid:		
At 1 January 2015	960,000,000	9,600
Issue of Shares upon the SM Placing (Note d)	245,000,000	2,450
At 30 June 2015	1,205,000,000	12,050
Issue of Shares upon placing (Note e)	241,000,000	2,410
At 31 December 2015	1,446,000,000	14,460
Decrease pursuant to the Share Consolidation (Note b)	(1,156,800,000)	–
Issue of Shares upon placing (Note f)	57,840,000	2,892
At 30 June 2016	347,040,000	17,352

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 in 2015") 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 in 2015 was duly passed by the shareholders of the Company by way of poll at the special general meeting of the Company.

15. SHARE CAPITAL (Continued)

Notes: (Continued)

- (b) On 29 January 2016, the Board proposed that every 5 issued and unissued existing ordinary shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into 1 consolidated share of par value of HK\$0.05 each in the share capital of the Company ("Share Consolidation"). Other than the relevant expenses, including but not limited to professional fees and printing charges incurred, the implementation of the Share Consolidation would not alter the underlying assets, business, operations, management or financial position of the Company. The Share Consolidation was conditional upon: (1) the passing of the necessary ordinary resolution by the shareholders of the Company to approve the Share Consolidation at a special general meeting of the Company; (2) the Stock Exchange granting the listing of, and the permission to deal in, the consolidated shares in issue upon the Share Consolidation becoming effective; and (3) the compliance with the relevant procedures and requirements under the laws of Bermuda and the Listing Rules to effect the Share Consolidation. The Share Consolidation was approved by the shareholders of the Company at the special general meeting of the Company on 14 March 2016. As all the conditions precedent to the Share Consolidation have been fulfilled, the Share Consolidation became effective on 15 March 2016.
- (c) As disclosed in the Company's circular dated 6 May 2016, the Board proposed to increase the authorised share capital of the Company from HK\$20,000,000 to HK\$40,000,000 divided into 800,000,000 Shares by the creation of an additional 400,000,000 new shares ("Increase in Authorised Share Capital") which was conditional upon the passing of an ordinary resolution at an annual general meeting of the Company. On 15 June 2016, 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 annual general meeting of the Company.
- (d) On 27 February 2015, the Company and Gransing Securities Co., Limited 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 places 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. 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 special general meeting of the Company. 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 Saike Acquisition. As at the date of this report, approximately HK\$10.0 million of net proceeds was utilised as general working capital of the Group and approximately HK\$90.0 million of net proceeds was utilised for the Saike Acquisition. 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.

15. SHARE CAPITAL (Continued)

Notes: (Continued)

- (e) On 1 September 2015, the Company and Convoy Securities Limited entered into the placing agreement in relation to an offer by way of private placing on a best endeavour basis of up to 241,000,000 new ordinary shares of HK\$0.01 each in the share capital of the Company, to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected nor acting in concert with the Company or any of its connected persons or their respective associates, at a price of HK\$0.285 per placing share pursuant to the general mandate granted at the annual general meeting of the Company in June 2015.

On 15 September 2015, the Company completed the placing of 241,000,000 placing shares under the general mandate, at a placing price of HK\$0.285 per placing share. The gross proceeds from the placing were approximately HK\$68.7 million. The net proceeds from the placing, after deducting commission and other expenses of the placing, were approximately HK\$66.2 million. On such basis, the net issue price was approximately HK\$0.275 per placing share. The aggregate nominal value of the placing shares was HK\$2,410,000. The Company intended to utilise such net proceeds (i) as to about 80% for the potential acquisitions and investments of the Group; and (ii) as to about 20% for general working capital of the Group.

As at the date of this report, approximately HK\$13.3 million (representing approximately 20% of the net proceeds) has been utilised as general working capital of the Group and approximately HK\$31.7 million has been utilised for the acquisition of the listed securities in Hong Kong. The unutilised net proceeds of approximately HK\$21.2 million remained in the bank accounts of the Group. Details of the placing are set out in the Company's announcements dated 1 September 2015 and 15 September 2015.

- (f) On 7 April 2016, the Company and SBI China Capital Financial Services Limited entered into the placing agreement in relation to an offer by way of private placing on a best endeavour basis of up to 57,840,000 new ordinary shares of HK\$0.05 each in the share capital of the Company, to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected nor acting in concert with the Company or any of its connected persons or their respective associates, at a price of HK\$0.40 per placing share pursuant to the general mandate refreshed at the special general meeting of the Company in March 2016.

On 28 April 2016, the Company completed the placing of 57,840,000 placing shares under the general mandate, at a placing price of HK\$0.40 per placing share. The gross proceeds from the placing were approximately HK\$23.1 million. The net proceeds from the placing, after deducting commission and other expenses of the placing, were approximately HK\$22.1 million. On such basis, the net issue price was approximately HK\$0.382 per placing share. The aggregate nominal value of the placing shares was HK\$2,892,000. The Company intended to utilise as general working capital and/or future investment of the Group as and when opportunities arise.

As at the date of this report, approximately HK\$18.3 million (representing approximately 83% of the net proceeds) has been utilised as general working capital of the Group. The unutilised net proceeds of approximately HK\$3.8 million remained in the bank accounts of the Group. Details of the placing are set out in the Company's announcements dated 7 April 2016 and 28 April 2016.

All ordinary shares issued during the year ended 31 December 2015 and up to 30 June 2016 rank pari passu with the then existing ordinary shares in all respects.

16. PLEDGE OF ASSETS

As at 30 June 2016, the Group had pledged the buildings and prepaid lease payments with an aggregate carrying amount of approximately HK\$10,927,000 (31 December 2015: Nil) to secure general banking facilities granted to the Group.

17. CAPITAL COMMITMENTS

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

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (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	1,522	1,555

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000				
Available-for-sale investments listed in Hong Kong	70,105	73,456	Level 1	Quoted bid prices in an active market	N/A	N/A

There were no transfers between Level 1 and 2 fair value measurements during the period.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis and recorded at amortised cost approximate their fair values.

19. SUBSEQUENT EVENTS

(i) Acquisition of Property and right to use the Car Park Spaces

On 6 June 2016, 浙江新銳醫藥有限公司 (in English, for identification purpose, Zhejiang Xin Rui Pharmaceutical Co., Ltd.) (a wholly-owned subsidiary of the Company) entered into (i) a sale and purchase agreement with Mr. Yang Qi and Ms. Tu Yue Yi as vendors in relation to the purchase of the property situated at Room 3703, Dikai International Center, Jianggan District, Hangzhou City, Zhejiang Province, the PRC ("Property") at a cash consideration of RMB14,000,000 (equivalent to approximately HK\$16,660,000); and (ii) a sale and purchase agreement with Mr. Yang Qi as vendor in relation to the purchase of the right to use two car park spaces which are located at Car Park Nos. 267 and 270 on 2nd floor of Basement, Dikai International Center, Jianggan District, Hangzhou City, Zhejiang Province, the PRC ("Car Park Spaces") at a total cash consideration of RMB700,000 (equivalent to approximately HK\$833,000).

Mr. Yang Qi and Ms. Tu Yue Yi, the vendors, are the brother and the sister-in-law of Ms. Yang Fang, an executive Director and the chief executive officer of the Company, respectively. Each of them is therefore a connected person of the Company under the Listing Rules. As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisitions of the Property and the Car Park Spaces are more than 5% but all applicable percentage ratios are less than 25%, and the total consideration is more than HK\$10 million, the acquisitions are discloseable and connected transactions and subject to reporting, announcement and independent shareholders' approval. The acquisitions were approved by the independent shareholders at a special general meeting of the Company on 29 July 2016.

On 29 July 2016, all the conditions precedent in the two sale and purchase agreements above have been fulfilled and the completion took place on 17 August 2016.

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 18 suppliers and the Group sells pharmaceutical products through a network of 171 distributor customers, of which 43 distributor customers cover Zhejiang province and the remaining 128 distributor customers are spread over the remaining 22 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

The overall sales of pharmaceutical products in public hospitals in the PRC slowed down prominently in the first half of 2016. It is due to the unfavourable policy including cost control on the medical insurance, further price cut for drugs in the public hospitals drug procurement list imposed by city governments and accelerated provincial tenders, which put the drug selling prices under pressure. The Group's pharmaceutical products distribution business is also affected by this macro environment.

For the Period, the Group recorded a revenue of approximately HK\$103,568,000, representing a decrease of approximately 20.3% compared to that for the corresponding period in 2015. Such decrease was primarily due to the cessation of sales of the Group's products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015.

The Group recorded a gross profit margin of approximately 19.5% for the Period, which decreased by 11 percentage points as compared to that of approximately 30.5% for the corresponding period last year. Hence, the gross profit for the Period decreased significantly as compared to that for the six months ended 30 June 2015. Net loss attributable to owners of the Company for the Period was approximately HK\$420,000, while the net profit attributable to owners of the Company was approximately HK\$15,645,000 for the corresponding period last year.

The decrease in profit was primarily due to (i) the decrease in the revenue of the Group for the Period as compared with that for the corresponding period in 2015 due to the cessation of sales of the Group's products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015; (ii) the decrease in the average gross profit margin and gross profit of the Group for the Period as compared with that for the corresponding period last year due to the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015 and increase in expenses to obtain an injection drug's exclusive distribution right and increase in amortisation expenses on the trademark of an injection drug; and (iii) the realised fair value losses and impairment losses of the Group's available-for-sale investments of approximately HK\$5.5 million for the Period as a result of the volatile stock market in Hong Kong in the first half of 2016. No realised fair value losses and impairment losses of the Group's available-for-sale investments were recorded in the corresponding period last year.

Revenue and Segment Information

The table below sets out the revenue of the Group (by form of products) for the six months ended 30 June 2016 and 2015 respectively.

	Revenue attributable to each segment for the six months ended			
	30 June 2016 (Unaudited)		30 June 2015 (Unaudited)	
	HK\$'000	%	HK\$'000	%
Injection drugs	91,385	88.2	111,312	85.6
Capsule and granule drugs	11,401	11.0	15,514	11.9
Tablet drugs	208	0.2	1,297	1.0
Others	574	0.6	1,862	1.5
Total	103,568	100.0	129,985	100.0

(i) Injection drugs

The injection drugs segment generated a revenue of approximately HK\$91.4 million for the Period (2015: HK\$111.3 million), representing a decrease of approximately 17.9% as compared to that for the corresponding period in 2015. Such decrease was attributable to the cessation of sales of the Group's injection products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015.

(ii) Capsule drugs

The capsule drugs segment generated a revenue of approximately HK\$11.4 million for the Period (2015: HK\$15.5 million), representing a decrease of approximately 26.5% as compared to that for the corresponding period in 2015. Such decrease was attributable to the cessation of sales of (i) the Group's product Cefprozil Granules (頭孢丙烯顆粒) after the expiry of the distribution agreement in November 2015 and (ii) the Group's capsule products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015.

(iii) Tablet drugs

The tablet drugs segment generated a revenue of approximately HK\$0.2 million for the Period (2015: HK\$1.3 million), representing a decrease of approximately 84.6% as compared to the corresponding period in 2015. 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).

(iv) Others

The others segment generated a revenue of approximately HK\$0.6 million for the Period (2015: HK\$1.9 million). The decrease was primarily due to the decrease of sales of several vitro diagnostic reagents during the Period.

Recent Development

Enhance its product portfolio

In the first half of 2016, 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 a product, namely Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) and acquired the distribution right of a new product, namely Ampicillin Sodium and Sulbactam Sodium for Injection (注射用氨苄西林鈉舒巴坦鈉).

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

In January 2016, the Group entered into a distribution agreement with a manufacturer as referred by another distributor, pursuant to which the manufacturer granted the exclusive national distribution right of the product Cefamandole Nafate for Injection under two different specifications (i.e. 0.5g and 1.0g) in the PRC to the Group for an initial period from 1 January 2016 to 31 December 2018.

Ampicillin Sodium and Sulbactam Sodium for Injection (注射用氨苄西林鈉舒巴坦鈉)

In April 2016, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted an exclusive national distribution right for Ampicillin Sodium and Sulbactam Sodium for Injection in the PRC. Pursuant to the distribution agreement, the distribution period commenced from April 2016 to April 2017 and the Group paid RMB 6,000,000 as deposit for obtaining the distribution right of Ampicillin Sodium and Sulbactam Sodium for Injection. Such deposit shall be refundable upon expiry of the distribution period. The sales of the Ampicillin Sodium and Sulbactam Sodium for Injection products are expected to commence in the third quarter of 2016.

Outlook

Although more stringent regulations may create short-term operating pressures, the Chinese government continues to commit resources to and invest in the healthcare sector as part of its long-term healthcare reform plan in the long run. Moreover, the aging population, urbanisation, increase in chronic diseases and household income and the wider coverage of medical insurance in the PRC will drive the demand for medical treatments. The Group believes that the pharmaceutical industry will be filled with new opportunities and momentum for growth in the long term. 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 healthcare-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 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\$103,568,000, representing a decrease of approximately 20.3% from approximately HK\$129,985,000 for the six months ended 30 June 2015. The decrease is mainly due to the cessation of sales of the Group's products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015.

Cost of sales

The cost of sales for the Period was approximately HK\$83,339,000, representing a decrease of approximately 7.8% from approximately HK\$90,350,000 for the six months ended 30 June 2015. The decrease in cost of sales to a lesser extent than the decrease in revenue was resulted from the increase in proportion of the revenue generated from products with relatively low gross profit margin during the Period.

Gross profit and gross profit margin

Gross profit for the Period has dropped as compared with the gross profit for the six months ended 30 June 2015. The Group's average gross profit margin decreased by approximately 11.0 percentage points, from approximately 30.5% for the six months ended 30 June 2015 to approximately 19.5% for the Period. Such decrease in average gross profit margin and gross profit of the Group was due to (i) the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015 ; (ii) increase in expenses to obtain an injection drug's exclusive distribution right; and (iii) increase in amortisation expenses on the trademark of an injection drug during the Period. The expenses of obtaining an injection drug's exclusive distribution right and the amortisation expenses on the trademark of an injection drug have increased by approximately HK\$1,889,000 and HK\$944,000 respectively when compared with that for the corresponding period last year.

Other income, gains and losses

The net other losses for the Period were approximately HK\$4,989,000 while the net other gains of approximately HK\$1,729,000 were recorded for the corresponding period last year. Such change was primarily attributable to the realised fair value losses and impairment losses of the Group's available-for-sale investments of approximately HK\$5,545,000 as a result of the volatile stock market in Hong Kong in the first half of 2016. No such realised fair value losses and impairment losses of the Group's available-for-sale investments were recorded for the corresponding period last year.

Selling and distribution expenses

Selling and distribution expenses for the Period were approximately HK\$8,030,000, representing an increase of approximately 6.3% from approximately HK\$7,551,000 for the six months ended 30 June 2015. 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 was approximately HK\$8,718,000, representing an increase of approximately 3.5% from approximately HK\$8,421,000 for the six months ended 30 June 2015. Such increase was primarily due to the increase in salaries of the back office staff.

Share of profit of an associate

Share of profit of an associate was approximately HK\$4,936,000 during the Period, which was contributed by the associate company, Saike International.

Income tax expenses

Income tax expenses for the Period were approximately HK\$3,848,000, representing a decrease of approximately 60.5% from approximately HK\$9,747,000 for the six months ended 30 June 2015. The decrease was primarily due to the decrease in taxable income, which was partly offset by the increase in non-deductible expenses incurred.

(Loss) profit for the Period

The loss for the Period was approximately HK\$420,000, while the profit of approximately HK\$15,645,000 was recorded for the six months ended 30 June 2015. Such change was mainly due to (i) the decrease in the revenue of the Group for the Period as compared with that for the corresponding period in 2015 due to the cessation of sales of the Group's products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015; (ii) the decrease in the average gross profit margin and gross profit of the Group for the Period as compared with that for the corresponding period last year due to the price cut for drugs in the public hospitals drug procurement list imposed by the several city governments in Zhejiang province since the third quarter of 2015 and increase in expenses to obtain an injection drug's exclusive distribution right and increase in amortisation expenses on the trademark of an injection drug; and (iii) the realised fair value losses and impairment losses of the Group's available-for-sale investments of approximately HK\$5.5 million for the Period as a result of the volatile stock market in Hong Kong in the first half of 2016. No realised fair value losses and impairment losses of the Group's available-for-sale investments were recorded in the corresponding period last year.

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 placings conducted in September 2015 and April 2016. As at 30 June 2016, the Group had net cash and cash equivalents balance amounting to approximately HK\$67,023,000 (31 December 2015: approximately HK\$56,795,000). The Group did not have any bank loan as at 30 June 2016 (31 December 2015: Nil).

Material acquisition or disposal

On 6 June 2016, the Group entered into sale and purchase agreements for the acquisition of the Property and rights to use the Car Park Spaces as disclosed in note 19(i) to the unaudited condensed consolidated financial statements of the Company in this report. On 29 July 2016, all the conditions precedent to the sale and purchase agreements have been fulfilled and the completion took place on 17 August 2016. Details of such acquisitions are set out in the Company's announcements dated 6 June 2016, 30 June 2016 and 29 July 2016 and the Company's circular dated 13 July 2016. Save as aforesaid, the Group had no material acquisition or disposal during the Period.

Contingent liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Capital structure

Except as disclosed in note 15 to the unaudited condensed consolidated financial statements of the Company in this report, 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 2016, the Group had pledged the buildings and prepaid lease payments with an aggregate carrying amount of approximately HK\$10,927,000 (31 December 2015: Nil) 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, the Group disposed of certain equity securities listed in Hong Kong. The fair value loss of approximately HK\$5,105,000 previously accumulated in the investment revaluation reserve is reclassified to profit or loss accordingly. Besides, due to a significant decline in the fair values of certain listed investments below their costs, impairment losses amounting to HK\$440,000 have been recognised during the Period which were reclassified from the investments revaluation reserve. Meanwhile, increase in fair value of the listed securities held by the Group as at 30 June 2016 amounting to HK\$11,054,000 was recognised as the investments revaluation reserve. The Group will continue to monitor investments cautiously due to recent uncertain market conditions.

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 2016, the Group had 47 employees (31 December 2015: 50). Staff costs, including Directors' remuneration for the Period, amounted to approximately HK\$7,391,000 (six months ended 30 June 2015: HK\$3,628,000). 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, the Directors believe that the operations of the Group are not subject to significant exchange risk.

OTHER INFORMATION

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

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 ("Model Code"), were as follows:

Name of Director	Capacity	Number of ordinary Shares of the Company	Position	Approximate percentage of the total issued Shares (Note 2)
Zhou Ling ("Mr. Zhou")	Beneficial owner and interest of spouse	29,432,000 (Note 1)	Long	8.48%
Yang Fang ("Ms. Yang")	Beneficial owner and interest of spouse	29,432,000 (Note 1)	Long	8.48%

Notes:

1. Mr. Zhou and Ms. Yang, being husband and wife, are deemed to be interested in all the 29,432,000 shares of the company ("Shares") which comprise 20,879,238 Shares and 8,552,762 Shares held by Mr. Zhou and Ms. Yang respectively.
2. The total number of 347,040,000 Shares in issue as at 30 June 2016 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 30 June 2016, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, 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.

Name	Capacity	Number of ordinary Shares	Position	Approximate percentage of the total issued Shares (Note 2)
China Wah Yan Healthcare Limited ("China Wah Yan") (Note 1)	Interest of a controlled corporation	34,356,960	Long	9.90%

Note 1: Such 34,356,960 Shares were held by Classic Estate Investments Limited, a wholly-owned subsidiary of China Wah Yan, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 648). Accordingly, China Wah Yan is deemed to be interested in the 34,356,960 Shares held by Classic Estate Investments Limited under Part XV of the SFO.

Note 2: The total number of 347,040,000 Shares in issue as at 30 June 2016 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.

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. The Scheme is 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 1 January 2016 and 30 June 2016.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

At no time during the 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 spouse or children under 18 years of age 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 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 provision A.2.7 of the Main Board CG 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 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, the Company had complied with the Main Board CG Code to the extent applicable and permissible to the Company during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout 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.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the Group's financial reporting and internal control procedures, 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, 19 August 2016