Interim Report 2017

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Ling *(Chairman)*
Ms. Yang Fang *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Ho Hau Cheung, *SBS, MH*
Ms. Li Sin Ming, Ivy
Mr. Leung Chi Kin

BOARD COMMITTEES

Audit Committee

Ms. Li Sin Ming, Ivy *(Chairman)*
Mr. Ho Hau Cheung, *SBS, MH*
Mr. Leung Chi Kin

Remuneration Committee

Mr. Ho Hau Cheung, *SBS, MH (Chairman)*
Ms. Li Sin Ming, Ivy
Mr. Leung Chi Kin

Nomination Committee

Mr. Leung Chi Kin *(Chairman)*
Mr. Ho Hau Cheung, *SBS, MH*
Ms. Li Sin Ming, Ivy

Corporate Governance Committee

Mr. Zhou Ling *(Chairman)*
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
Jianggan District
Hangzhou City
Zhejiang Province, the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) 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 2017:

- Revenue was approximately HK$124,840,000, which has increased by approximately 20.5% when compared to that of approximately HK$103,568,000 for the corresponding period in 2016.

- Net loss attributable to owners of the Company for the six months ended 30 June 2017 was approximately HK$52,437,000, which has increased by approximately HK$52 million when compared to that of approximately HK$420,000 for the same period last year.

- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017.

As at 30 June 2017:

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2017 (31 December 2016: 3.5%).

The board (the "Board") of directors (the "Directors") of New Ray Medicine International Holding Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 ("Period") together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
	Notes	**2017 (Unaudited) HK$'000**	2016 (Unaudited) HK$'000
Revenue	3	**124,840**	103,568
Cost of sales		**(95,194)**	(83,339)
		29,646	20,229
Other income, gains and losses	4	**(62,615)**	(4,989)
Selling and distribution expenses		**(8,853)**	(8,030)
Administrative expenses		**(9,804)**	(8,718)
Finance costs		**(159)**	–
Share of profit of associates	10	**6,121**	4,936
(Loss) profit before tax		**(45,664)**	3,428
Income tax expenses	5	**(6,773)**	(3,848)
Loss for the period	6	**(52,437)**	(420)
Other comprehensive income for the period:			
Items that will not be reclassified to profit or loss:			
Exchange difference arising on translation of functional currency to presentation currency		**13,762**	(5,300)
Share of exchange differences of associates		**5,812**	(459)
Items that may be subsequently reclassified to profit or loss:			
Fair value gain on available-for-sale investments		**–**	11,054
Reclassification adjustment upon impairment on available-for-sale investments		**–**	440
Released on disposal of available-for-sale investments		**–**	5,105
		19,574	10,840
Total comprehensive (expense) income for the period		**(32,863)**	10,420
Loss for the period attributable to owners of the Company		**(52,437)**	(420)
Total comprehensive (expense) income attributable to owners of the Company		**(32,863)**	10,420
			(Restated)
Loss per share:			
– Basic and diluted (HK cent)	8	**(4.24)**	(0.13)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	9	**10,921**	11,860
Prepaid lease payments	9	**19,551**	19,220
Prepayment for a distribution right		**27,634**	28,619
Intangible assets		**14,892**	15,353
Club debenture		**576**	559
Available-for-sale investments		**195,662**	67,226
Interests in associates	10	**191,283**	125,958
		460,519	268,795
Current assets			
Inventories	12	**12,576**	11,291
Trade and other receivables	13	**234,288**	178,999
Prepayment for a distribution right		**3,684**	3,577
Prepaid lease payments	9	**489**	475
Bank balances and cash		**123,190**	71,599
		374,227	265,941
Current liabilities			
Trade and other payables	14	**54,512**	38,685
Tax payable		**4,341**	473
Bank borrowings		**–**	16,769
		58,853	55,927
Net current assets		**315,374**	210,014
Total assets less current liabilities		**775,893**	478,809
Non-current liabilities			
Deferred tax liabilities		**7,122**	7,122
		768,771	471,687
Capital and reserves			
Share capital	15	**83,289**	20,822
Share premium and reserves		**685,482**	450,865
Equity attributable to owners of the Company		**768,771**	471,687

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	PRC statutory reserve HK$'000 (Note)	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	20,822	337,571	50,167	19,864	–	1,750	(29,677)	71,190	471,687
Loss for the Period	–	–	–	–	–	–	–	(52,437)	(52,437)
Other comprehensive income	–	–	–	–	–	–	19,574	–	19,574
Total comprehensive expense for the Period	–	–	–	–	–	–	19,574	(52,437)	(32,863)
Rights Issue	62,467	281,103	–	–	–	–	–	–	343,570
Transaction costs attributable to Rights Issue	–	(13,623)	–	–	–	–	–	–	(13,623)
Transfer	–	–	–	1,756	–	–	–	(1,756)	–
At 30 June 2017 (unaudited)	83,289	605,051	50,167	21,620	–	1,750	(10,103)	16,997	768,771
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

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"), 浙江新鋭醫藥有限公司 (in English, for identification purpose only, Zhejiang Xin Rui Pharmaceutical Co. Ltd.) ("Zhejiang Xin Rui Pharmaceutical") and 浙江泓鋭貿易有限公司 (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 泓鋭（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 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash outflow from operating activities	**(24,909)**	(38,575)
Net cash (outflow) inflow from investing activities	**(237,979)**	14,833
Net cash inflow from financing activities	**312,768**	34,687
Increase in cash and cash equivalents	**49,880**	10,945
Cash and cash equivalents at beginning of period	**71,599**	56,795
Effect of foreign exchange rate changes	**1,711**	(717)
Cash and cash equivalents at end of period	**123,190**	67,023
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**123,190**	67,023

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 principal place of business in Hong Kong is located at Room 517, 5th Floor, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The shares of the Company 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 the trading of pharmaceutical products 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 ("HKICPA")("HKFRSs") and the disclosure requirements under 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 consolidated financial statements of the Company for the year ended 31 December 2016. During the Period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses

The application of those amendments to HKFRSs in the Period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

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 the trading of pharmaceutical products 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. The Group's reportable and operating segments for the six months ended 30 June 2016 included four segments, namely (i) Injection drugs; (ii) Capsule and granule drugs; (iii) Tablet drugs; and (iv) Others. During the Period, for the purposes of better assessment of performance of each reportable and operating segment by the CODM, the segments were reorganised as follows:

(i) Injection drugs – trading of injection drugs

(ii) Capsule and granule drugs – trading of capsule and granule drugs

(iii) Others – trading of miscellaneous types of drugs, other than injection drugs and capsule and granule drugs

Comparative figures have been restated to conform with the Period's presentation.

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 2017 (unaudited)

	Injection drugs HK$'000	**Capsule and granule drugs HK$'000**	**Others HK$'000**	**Total HK$'000**
REVENUE				
External sales and segment revenue	**123,823**	**962**	**55**	**124,840**
RESULT				
Segment profit	**29,503**	**141**	**2**	**29,646**
Other income, gains and losses				**(62,615)**
Selling and distribution expenses				**(8,853)**
Administrative expenses				**(9,804)**
Share of profit of associates				**6,121**
Finance costs				**(159)**
Loss before tax				**(45,664)**

Six months ended 30 June 2016 (unaudited)

	Injection drugs HK$'000	Capsule and granule drugs HK$'000	Others HK$'000	Total HK$'000
REVENUE				
External sales and segment revenue	91,385	11,401	782	103,568
RESULT				
Segment profit	18,854	1,293	82	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

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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Bank interest income	**265**	170
Dividend income from available-for-sale investments	**407**	386
Impairment loss on available-for-sale investments	**(65,391)**	(440)
Realised profit (loss) on disposal of available-for-sale investments	**2,104**	(5,105)
	(62,615)	(4,989)

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current Tax:		
PRC Enterprise Income Tax ("EIT")	**6,773**	3,848
	6,773	3,848

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 FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,349**	957
Amortisation of prepaid lease payments	**241**	93
Amortisation of intangible assets	**908**	944
Amortisation of prepayment for a distribution right	**1,815**	1,889
Minimum lease payments under operating leases in respect of rented premises	**301**	592
Cost of inventories recognised as an expense	**95,194**	83,339

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period (2016: Nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Loss		
Loss for the purpose of basic and diluted loss per share	**(52,437)**	(420)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (Note)	**1,235,763,067**	333,970,461
Basic loss per share (HK cent)	**(4.24)**	(0.13)

Note: The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the rights issue of 1,249,344,000 rights shares ("Rights Shares") on the basis of three rights shares for every one existing share in issue held on the record date at the subscription price of HK$0.275 per Rights Share ("Rights Issue"), completion of which took place on 6 March 2017.

The computation of diluted loss per share for the Period does not assume the conversion of the Company's outstanding share options as at 30 June 2017 since their assumed exercise would result in a decrease in loss per share.

Diluted earnings per share for the six months ended 30 June 2016 is not presented as there were no dilutive potential ordinary shares in issue during the six months ended 30 June 2016.

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 2017	**19,695**	**11,860**
Additions	**–**	**55**
Foreign exchange difference	**586**	**355**
Depreciation and amortisation (Note 6)	**(241)**	**(1,349)**
Net book amount as at 30 June 2017 (unaudited)	**20,040**	**10,921**
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

10. INTERESTS IN ASSOCIATES

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Cost of unlisted investments in associates	**172,024**	118,631
Share of post-acquisition profit and other comprehensive income and exchange difference arising on translation	**19,259**	7,327
	191,283	125,958

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, 50.0% equity interest in Saike International Medical Group Limited ("Saike International"), a company incorporated in the BVI in July 2014, and 15.0% equity interest in WinHealth International Company Limited ("WinHealth International") (formerly known as Eternal Charm International Limited), a company incorporated in the BVI in March 2015. The Group is able to exercise significant influence over Sea Star, Saike International and WinHealth International as the Group has the power to participate in the financial and operating policy decisions of the investee companies but does not have control or joint control over those policies. Accordingly, Sea Star, Saike International and WinHealth International are regarded as associates of the Group.

10. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates as at 31 December 2016 and 30 June 2017 are as follows:

Name	Place of incorporation/ operation	Proportion of ownership and voting rights held by the Group as at 31 December 2016	30 June 2017	Principal activities
Sea Star	BVI	20.0% (Note a)	**20.0% (Note a)**	Inactive
Saike International	BVI	50.0% (Note b)	**50.0% (Note b)**	Trading of medical devices and equipment in the PRC
WinHealth International	BVI	–	**15.0% (Note c)**	Trading of pharmaceutical products 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 2017, there was no shareholders' loan made to Sea Star.

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 (collectively, the "Saike Group") are principally engaged in the trading of medical devices and equipment in the PRC.

10. INTERESTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Pursuant to the S&P Agreement, the Vendor irrevocably and unconditionally guarantees to Major Bright that the audited consolidated net profits after taxation (the "Audited Profits") of Saike Group for the years ended 31 December 2015 and 2016, and the year ending 31 December 2017 shall not be less than RMB19,000,000, RMB22,000,000 and RMB25,000,000 (equivalent to approximately HK$23,202,000, HK$25,404,000 and HK$27,949,000 respectively) (the "Targeted Profit Requirement") respectively. If the Audited Profits are less than the Targeted Profit Requirement, the Vendor shall pay the shortfall of the Targeted Profit Requirement to Major Bright.

On 16 July 2015, all the conditions precedent to 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. The Put Option lapsed during the Period.

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.

(c) On 5 December 2016 and 14 March 2017, the Group entered into a sale and purchase agreement and a supplemental agreement with Mr. Wang Wei ("Mr. Wang"), an independent third party, for the acquisition of 15% of the issued share capital of WinHealth International at a consideration of RMB47.25 million (equivalent to approximately HK$53.4 million) in cash (subject to downward adjustments after completion). WinHealth International and its subsidiaries are principally engaged in the distribution of pharmaceutical products in the PRC and their management team has extensive experience in obtaining exclusive distribution rights of imported prescription drugs in the PRC.

Completion of the acquisition of 15% of the issued share capital of WinHealth International took place on 17 March 2017 and such investment in WinHealth International is accounted for as an associate of the Group in its financial statements. For further details, please refer to the announcements of the Company dated 5 December 2016 and 14 March 2017.

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

10. INTERESTS IN ASSOCIATES *(Continued)*

Saike International

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Current assets	**92,099**	95,221
Non-current assets	**1,726**	1,933
Current liabilities	**(28,387)**	(42,731)
Net assets attributable to owners of Saike International	**65,438**	54,423

	Six months ended 30 June	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Revenue for the period	**42,411**	49,828
Profit for the period	**9,248**	9,872
Other comprehensive income (expenses) for the period	**1,767**	(918)
Total comprehensive income for the period	**11,015**	8,954
Group's share of profit of Saike International for the period	**4,624**	4,936
Dividends received from Saike International during the period	**–**	–

10. INTERESTS IN ASSOCIATES *(Continued)*

Saike International *(Continued)*

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

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Net assets of Saike International	**65,438**	54,423
Proportion of the Group's ownership interest in Saike International	**50%**	50%
	32,719	27,211
Goodwill	**101,636**	98,747
Carrying amounts of the Group's interest in Saike International	**134,355**	125,958

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 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Cost of unlisted investment in a joint venture	**621**	604
Share of post-acquisition loss	**(621)**	(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 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 2016 and 30 June 2017 are as follows:

Name	Place of incorporation/ operation	Proportion of ownership and voting rights held by the Group		Principal activity
		30 June 2017	31 December 2016	
Haikou Xin Lang	PRC	**50.1%**	50.1%	Inactive

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 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Current assets	**1,157**	1,125
Non-current assets	**–**	–
Current liabilities	**(1,178)**	(1,146)
Non-current liabilities	**–**	–

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue	**–**	–
Loss for the period	**–**	–
Other comprehensive expenses for the period	**–**	–
Total comprehensive expenses for the period	**–**	–
Dividends received from the joint venture during the period	**–**	–

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

	As at	As at
	30 June	31 December
	2017	2016
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Net liabilities of the joint venture	**(21)**	(21)
Proportion of the Group's interest in the joint venture	**50.1%**	50.1%
Carrying amount of the Group's interest in a joint venture	**–**	–

Significant restriction

There are no significant 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	As at
	30 June	31 December
	2017	2016
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Finished goods	**12,576**	11,291

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Trade receivables	**50,945**	51,927
Compensation from Targeted Profit Requirement	**–**	522
Other prepayments	**779**	718
Prepayments to suppliers	**42,750**	20,163
Deposits paid to suppliers	**139,385**	105,428
Others	**429**	241
Total trade and other receivables	**234,288**	178,999

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 receivables presented based on the dates of goods delivery notes, which approximated the respective revenue recognition dates, at the end of the reporting periods.

	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Trade receivables:		
0 – 30 days	**23,154**	23,202
31 – 60 days	**20,574**	22,093
61 – 90 days	**4,191**	4,269
91 – 180 days	**3,026**	2,363
	50,945	51,927

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 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
Trade payables	**32,377**	25,671
Deposits received	**3,842**	2,786
Receipts in advance	**13,595**	3,659
Value-added tax payables	**2,181**	1,366
Other tax payables	**97**	354
Accruals	**2,420**	4,849
	54,512	38,685

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 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
0 – 30 days	**24,254**	16,704
31 – 60 days	**5,246**	180
61 – 90 days	**1,024**	3,794
Over 90 days	**1,853**	4,993
	32,377	25,671

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 '000	Amount HK$'000
At 1 January 2016	2,000,000	20,000
Share consolidation (Note a)	(1,600,000)	–
Increased on 15 June 2016 (Note b)	400,000	20,000
At 30 June 2016 and 31 December 2016	800,000	40,000
Increased on 26 January 2017 (Note e)	2,200,000	110,000
At 30 June 2017	3,000,000	150,000
Issued and fully paid:		
At 1 January 2016	1,446,000	14,460
Decrease pursuant to the Share Consolidation (Note a)	(1,156,800)	–
Issue of shares upon placing (Note c)	57,840	2,892
At 30 June 2016	347,040	17,352
Issue of shares upon placing (Note d)	69,408	3,470
At 31 December 2016	416,448	20,822
Rights issue (Note f)	1,249,344	62,467
At 30 June 2017	1,665,792	83,289

Notes:

(a) On 29 January 2016, the Board of Directors 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 (the "Share Consolidation"). The Share Consolidation was approved by the shareholders of the Company at a 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.

(b) 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 ordinary shares of HK$0.05 each ("2016 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 2016 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.

15. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(c) On 7 April 2016, the Company as issuer and SBI China Capital Financial Services Limited (軟庫中華金融服務有限公司) as placing agent entered into a 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.

The market price of the shares was HK$0.47 per share as at the date of the placing agreement. The placing was subject to the grant of listing approval of the placing shares by the Stock Exchange. The placing price represented (i) a discount of approximately 14.89% to the closing price of HK$0.47 per share as quoted on the Stock Exchange on 7 April 2016, being the date of the placing agreement; and (ii) a discount of approximately 14.71% to the average closing price of HK$0.469 per share as quoted on the Stock Exchange for the five consecutive trading days of the shares immediately prior to the date of the placing agreement.

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$0.38 per placing share. The aggregate nominal value of the placing shares was HK$2,892,000. The Company intended to utilise the net proceeds from the placing 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$22.1 million has been utilised as general working capital of the Group. Details of the placing are set out in the Company's announcements dated 7 April 2016 and 28 April 2016.

(d) On 29 August 2016, the Company as issuer and Nuada Limited (洛爾達有限公司) as placing agent entered a placing agreement in relation to an offer by way of private placing on a best endeavour basis of up to 69,408,000 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$0.34 per placing share pursuant to the general mandate approved by shareholders at the annual general meeting of the Company held on 15 June 2016. The market price of the share was HK$0.40 per share as at the date of the placing agreement. The placing was subject to the grant of the listing approval of the placing shares by the Stock Exchange. The placing price represented (i) a discount of approximately 15.00% to the closing price of HK$0.40 per share as quoted on the Stock Exchange on 29 August 2016, being the date of the placing agreement; and (ii) a discount of approximately 10.53% to the average closing price of HK$0.38 per share as quoted on the Stock Exchange for the five consecutive trading days of the shares immediately prior to the date of the placing agreement.

On 22 September 2016, the Company completed the placing of 69,408,000 ordinary shares under the general mandate, at a placing price of HK$0.34 per placing share. The gross proceeds from the placing were approximately HK$23.6 million. The net proceeds from the placing, after deducting commission and other expenses of the placing, were approximately HK$22.6 million. On such basis, the net issue price was approximately HK$0.326 per placing share. The aggregate nominal value of the placing shares was HK$3,470,400. The Company intended to utilise the net proceeds from the placing 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$22.6 million has been utilised for the acquisition of 9% of the issued share capital of C&C International Healthcare Group Limited ("C&C International"). Details of the placing are set out in the Company's announcements dated 29 August 2016 and 22 September 2016.

15. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(e) As disclosed in the Company's circular dated 10 January 2017, the Board proposed to increase the authorised share capital of the Company from HK$40,000,000 to HK$150,000,000 divided into 3,000,000,000 shares by the creation of an additional 2,200,000,000 new ordinary shares of HK$0.05 each ("2017 Increase in Authorised Share Capital") which was conditional upon the passing of an ordinary resolution at a special general meeting of the Company. On 26 January 2017, the ordinary resolution to approve the 2017 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.

(f) On 9 December 2016, the Company announced to raise approximately HK$343.6 million before expenses on the basis of three Rights Shares for every one existing share in issue held on the record date at the subscription price of HK$0.275 per Rights Share by way of Rights Issue of 1,249,344,000 Rights Shares. The completion of the Rights Issue took place on 6 March 2017. 1,249,344,000 Rights Shares were allotted and issued pursuant to the Rights Issue and the net proceeds after deduction of expenses from the Rights Issue were approximately HK$330.0 million. On this basis, the net issue price per Rights Share was approximately HK$0.264 and the aggregate nominal value of the Rights Shares was HK$62,467,200.

As at the date of this report, (i) approximately HK$25.5 million has been utilised for the acquisition of 5% of the issued share capital of C&C International at a consideration of HK$25.5 million in cash; (ii) approximately HK$28.8 million has been utilised for the acquisition of approximately 11% of the issued share capital of Rui Kang Pharmaceutical Group Investments Limited ("RK Pharmaceutical"), the issued shares of which are listed on GEM (Stock Code: 8037) at a consideration of approximately HK$33.4 million in cash; (iii) approximately HK$53.4 million has been utilised for the acquisition of 15% of the issued share capital of WinHealth International at a consideration of RMB47.25 million (equivalent to approximately HK$53.4 million) in cash; (iv) approximately HK$117.7 million has been utilised for the acquisition of approximately 1.55% of the issued share capital of Town Health, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3886) at a consideration of HK$144 million (excluding stamp duty and related expenses) in open market; (v) approximately HK$17 million has been utilised for the repayment of the bank borrowing of a subsidiary of the Company in the PRC; (vi) approximately HK$40 million has been utilised for the payment of the distribution right of an imported prescription drug in the PRC; and (vii) approximately HK$1 million has been utilised for the improving marketing, sales and promotional capabilities. The unutilised net proceeds of approximately HK$46.6 million remained deposited in the bank accounts of the Group.

Details of the Rights Issue are disclosed in the announcements of the Company dated 9 December 2016, 26 January 2017, 27 January 2017 and 3 March 2017, the circular of the Company dated 10 January 2017, and the prospectus of the Company dated 10 February 2017.

All ordinary shares issued during the year ended 31 December 2016 and up to 30 June 2017 rank pari passu with the then existing ordinary shares in all respects.

16. PLEDGE OF ASSETS

As at 30 June 2017, the Group had pledged the buildings and prepaid lease payments with an aggregate carrying amount of approximately HK$27,396,000 (31 December 2016: HK$26,935,000) 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 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'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	**1,498**	1,456

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 periods. 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 an 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 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000				
Available-for-sale investments listed in Hong Kong	**126,475**	23,538	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.

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 the trading of pharmaceutical products 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 92 distributor customers, of which 23 distributor customers cover Zhejiang province and the remaining 69 distributor customers are spread over 20 regions in the PRC, including Shanghai, 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 in 2014.

Business review

The macro-economy of the PRC was undergoing a structural reform on the supply side and a milder economic growth was recorded. Against the backdrop of deteriorating economic environment, the pharmaceutical industry in which the Group operates was further challenged by the release of a series of relevant policies especially the public hospital reform and price cut for drug to reduce and simplify the chain and layers of drug circulation and to control usage of drugs. The aforesaid policies put the pharmaceutical enterprises including the Group into a challenging position and affect the profitability of the industry.

Facing the market challenges, the Group has been endeavouring to improve its sales and marketing capabilities and make effort to expand its distribution network in order to minimise the impact of unfavourable external factors on the Group. For the Period, the total revenue of the Group was approximately HK$124.8 million, representing an increase of approximately 20.5% as compared to that for the same period in 2016. Due to the increase in revenue contributed by the sale of the Group's products with relatively high gross profit margin, the Group's gross profit margin for the Period was approximately 23.7%, which has increased by 4.2 percentage points when compared to that for the same period in 2016.

The net loss attributable to owners of the Company for the Period was approximately HK$52.4 million, which has increased by approximately HK$52 million when compared to that of approximately HK$420,000 for the six months ended 30 June 2016. The increase in loss was primarily due to (i) the impairment losses on the Group's available-for-sale investments of approximately HK$65.4 million for the Period as a result of the volatile stock market in Hong Kong in the first half of 2017 as compared to the impairment losses on the Group's available-for-sale investments of approximately HK$440,000 for the corresponding period in 2016; (ii) the increase in selling and distribution expenses of the Group on the expansion of the Group's distribution network by approximately HK$823,000 for the Period as compared to that for the corresponding period in 2016; (iii) the increase in administrative expenses of the Group for the Period by approximately HK$1.1 million as compared to that for the corresponding period in 2016 due to the increase in the salaries of the back office staff and the increase in legal and professional fees incurred for the Rights Issues and the acquisitions of interests in certain companies during the Period, despite that it was partially offset by the increase in gross profit and the realised profit on the disposal of available-for-sale investments of the Group during the Period.

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 2017 and 2016 respectively.

	Revenue attributable to each segment for the six months ended			
	30 June 2017 (Unaudited)		30 June 2016 (Unaudited)	
	HK$'000	**%**	HK$'000	%
Injection drugs	**123,823**	**99.2**	91,385	88.2
Capsule and granule drugs	**962**	**0.8**	11,401	11.0
Other drugs	**55**	**–**	782	0.8
Total	**124,840**	**100.0**	103,568	100.0

(i) Injection drugs

The injection drugs segment generated a revenue of approximately HK$123.8 million for the Period (2016: HK$91.4 million), representing an increase of approximately 35.4% as compared to that for the corresponding period in 2016. The increase was due to the increased sales of products such as Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) as a result of the increasing effort in sales and marketing capabilities and expansion of the distribution network.

(ii) Capsule and granule drugs

The capsule and granule drugs segment generated a revenue of approximately HK$1.0 million for the Period (2016: HK$11.4 million), representing a decrease of approximately 91.2% as compared to that for the corresponding period in 2016. Such decrease was primarily attributable to the cessation of sales of 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) Other drugs

The other drugs segment generated a revenue of approximately HK$55,000 for the Period (2016: HK$0.8 million). The decrease was primarily due to the decrease of sales of several vitro diagnostic reagents and tablet drugs during the Period.

Recent Development

Zhejiang provincial collective tendering process

Generally, all pharmaceutical products procured by public hospitals and medical institutions in the PRC are subject to provincial collective tendering process that involves bidding by pharmaceutical manufacturers of these products. The latest provincial collective tendering process in Zhejiang Province was held in 2014 which involved three batches of tendering. 7 pharmaceutical products distributed by Group as at 31 December 2016 were involved in the Batch 3 provincial collective tendering process ("Batch 3 Tendering Process"). The results of the Batch 3 Tendering Process are pending to be released.

Enhance its product portfolio

In the first half of 2017, the Group continued to enhance its product portfolio, distribution channels, and marketing and promotion strategy in order to achieve a better and sustainable long term development of the Group. During the Period, the Group acquired the distribution right of an imported prescription drug, and the distribution right of a new product, namely Dutasteride Soft Capsules (度他雄胺軟膠囊).

Outlook

The pharmaceutical distributors in the PRC are facing the headwinds among the healthcare industry reform. The "Two Invoice" System (兩票制), which aims to reduce the drug circulation chain and layers between drug manufacturers and end user medical institutions, is likely to be implemented in most of the provinces in the PRC by the end of the year 2017, including Zhejiang province. In addition, in view of the recently released results of the price negotiation on the National Reimbursement Drug List (國家醫保藥品目錄) and the tendering results in Jiangsu province, the Group expects the drugs pricing pressure and reimbursement control measures on medical insurance will continue, which may result in loss of sales and drop in the average profit margin of the Group's products. However, the Group remains prudently optimistic in spite of the headwind that the industry will face in the future. 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 and use of drugs. The Group believes that the pharmaceutical industry will be fueled with new opportunities and momentum for growth in the long term. The new policies will bring challenges for many enterprises, in particular the small and medium-sized ones, which will accelerate the consolidation and concentration of the market players in the industry. The Group will closely monitor the guidelines of the national policy and adapt to the market changes. The Group will endeavour to maximise return for shareholders by focusing on proprietary drugs with outstanding marketing and sales performance and looking out for new opportunity to acquire new distribution right, with the aforesaid the Group is poised to benefit from this development.

Meanwhile, in order to strengthen the competitive advantages over the Group's competitors in Zhejiang province, the Group will continue to enhance its local distribution network and sales and marketing capabilities in the future. In addition, the Group has been exploring different opportunities to enhance its distribution capabilities. Besides, the Group will continue to seek potential merger and acquisition opportunities in medical-related industries to diversify its business and create synergy for its future development.

FINANCIAL REVIEW

Revenue

The total revenue for the Period was approximately HK$124,840,000, representing an increase of approximately 20.5% from approximately HK$103,568,000 for the six months ended 30 June 2016. The increase was due to the increased sales of products such as Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) as a result of the increasing effort in sales and marketing capabilities and expansion of the distribution network, which was partly offset by the decrease in revenue from the cessation of sales of the Group's products with relatively low gross profit margin during the Period.

Cost of sales

The cost of sales for the Period was approximately HK$95,194,000, representing an increase of approximately 14.2% from approximately HK$83,339,000 for the six months ended 30 June 2016. 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 during the Period.

Gross profit and gross profit margin

Gross profit increased by approximately HK$9,417,000, or approximately 46.6%, from approximately HK$20,229,000 for the six months ended 30 June 2016 to approximately HK$29,646,000 for the Period due to the increase in revenue generated from the Group's products and the increase in sales of the Group's products with higher gross profit margin. The Group's average gross profit margin increased from approximately 19.5% for the six months ended 30 June 2016 to approximately 23.7% for the Period. Such increase in gross profit margin was mainly attributable to the increase in the proportion of the revenue generated from products with relatively high gross profit margin over products with relatively low gross profit margin due to the cessation of sales of the Group's products with relatively low gross profit margin during the Period.

Other income, gains and losses

The net other losses for the Period were approximately HK$62,615,000 (six months ended 30 June 2016: approximately HK$4,989,000). Such change was primarily attributable to the increase in impairment losses on the Group's available-for-sale investments of approximately HK$65,391,000 (six months ended 30 June 2016: HK$440,000) as a result of the volatile stock market in Hong Kong for the first half of 2017, despite that it was partially offset by the increase in the realised profit on the disposal of available-for-sale investments, bank interest income and dividend income from available-for-sale investments during the Period.

Selling and distribution expenses

Selling and distribution expenses for the Period were approximately HK$8,853,000, representing an increase of approximately 10.2% from approximately HK$8,030,000 for the six months ended 30 June 2016. Such increase was primarily due to the increase in salaries of selling and marketing staff. In order to enhance the market recognition of the Group's products, the Group participated in various marketing activities more frequently, especially those 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$9,804,000, representing an increase of approximately 12.5% from approximately HK$8,718,000 for the six months ended 30 June 2016. Such increase was primarily due to the increase in salaries of the back office staff and the increase in legal and professional fees incurred for the Rights Issue and the acquisitions of interests in certain companies during the Period.

Share of profit of associates

Share of profit of associates was approximately HK$6,121,000 during the Period, which was mainly contributed by Saike International, an associate company owned as to 50% by the Group.

Income tax expenses

Income tax expenses for the Period were approximately HK$6,773,000, representing an increase of approximately 76.0% from approximately HK$3,848,000 for the six months ended 30 June 2016. The increase was primarily due to the increase in taxable income and the increase in non-deductible expenses incurred for tax purposes.

Loss for the Period

The loss for the Period was approximately HK$52,437,000, while the net loss attributable to owners of the Company was approximately HK$420,000 for the six months ended 30 June 2016.

The increase in loss was primarily due to (i) the impairment losses on the Group's available-for-sale investments of approximately HK$65.4 million for the Period as a result of the volatile stock market in Hong Kong in the first half of 2017 as compared to the impairment losses on the Group's available-for-sale investments of approximately HK$440,000 for the corresponding period in 2016; (ii) the increase in selling and distribution expenses of the Group on the expansion of the Group's distribution network by approximately HK$823,000 for the Period as compared to that for the corresponding period in 2016; (iii) the increase in administrative expenses of the Group for the Period by approximately HK$1,086,000 as compared to that for the corresponding period in 2016 due to the increase in the salaries of the back office staff and the increase in legal and professional fees incurred for the Rights Issues and the acquisitions of interests in certain companies during the Period, despite that it was partially offset by the increase in gross profit and the realised profit on disposal of available-for-sale investments of the Group during the Period.

Liquidity and financial resources

The Group manages its capital to ensure that the entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

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 Rights Issue completed in March 2017. As at 30 June 2017, the Group had net cash and cash equivalents balance amounting to approximately HK$123,190,000 (31 December 2016: approximately HK$71,599,000), among which approximately 52% (31 December 2016: 12%) were denominated in Hong Kong dollars, 48% (31 December 2016: 88%) were denominated in Renminbi ("RMB"). The Group did not have any bank loan as at 30 June 2017 (31 December 2016: HK$16,769,000). The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2017 (31 December 2016: 3.5%).

MATERIAL ACQUISITIONS OR DISPOSALS

Acquisition of C&C International

On 18 October 2016 and 30 November 2016, Major Bright, a wholly-owned subsidiary of the Company, as purchaser and the Company as guarantor entered into a sale and purchase agreement and a supplemental agreement respectively with JFA Capital, an independent third party, for the acquisition of an aggregate of 26% of the issued share capital of C&C International in two tranches. The first tranche acquisition involved the acquisition of 9% of the issued share capital of C&C International by the Group at a consideration of HK$43,687,800 in cash. The second tranche acquisition involved the acquisition of 17% of the issued share capital of C&C International by the Group at a consideration of HK$82,521,400 in cash. Completion of the first tranche acquisition of 9% of the issued share capital of C&C International took place on 31 October 2016.

On 13 March 2017, Major Bright, the Company and JFA Capital entered into a deed of termination pursuant to which the parties agreed not to proceed with the second tranche acquisition of 17% of the issued share capital of C&C International from JFA Capital since it was unlikely for the Company to obtain the shareholder's approval, being one of the conditions precedent to the second tranche acquisition by the long stop date of 31 March 2017, and the parties could not come to a consensus as to the extension of the long stop date.

On 16 March 2017, Major Bright, as purchaser, entered into a sale and purchase agreement with Eagle Networks Company Limited (鷹匯網絡有限公司), an independent third party, for the acquisition of 5% of the issued share capital of C&C International at a consideration of HK$25,500,000 in cash. The completion of the acquisition took place on the same day. Each of (i) the acquisition of 5% interest in C&C International, standing alone; and (ii) the acquisition of 5% interest in C&C International and the first tranche acquisition of 9% interest in C&C International by the Group in October 2016, in aggregate, constituted a discloseable transaction of the Company and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Group held 14% of the issued share capital of C&C International as at the date of this report and such investment in C&C International is accounted for as an available-for-sale financial asset of the Group in its financial statements. For further details, please refer to the announcements of the Company dated 18 October 2016, 30 November 2016, 30 December 2016, 26 January 2017, 28 February 2017, 13 March 2017 and 16 March 2017.

Acquisition of RK Pharmaceutical

On 2 December 2016, China New Rich Medicine Holding Co. Limited (中國新銳醫藥控股有限公司) ("China New Rich"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with China Wah Yan Healthcare Limited, shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 648), to acquire approximately 29% of the issued shares of RK Pharmaceutical, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8037) in two tranches. RK Pharmaceutical and its subsidiaries are principally engaged in (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong. The first tranche acquisition involved the acquisition of approximately 11% of the issued share capital of RK Pharmaceutical by the Group at a consideration of HK$33,362,160 in cash. The second tranche acquisition involved the acquisition of approximately 18% of the issued share capital of RK Pharmaceutical by the Group at a consideration of HK$54,610,816 in cash. As at the date of the sale and purchase agreement, China Wah Yan Healthcare Limited and its subsidiaries held 34,356,960 shares of the Company, representing 8.25% of the then issued share capital of the Company.

The first tranche acquisition, standing alone, constituted a discloseable transaction of the Company and was subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. Each of (i) the second tranche acquisition, standing alone, and (ii) the first tranche acquisition and the second tranche acquisition, in aggregate, constituted a major transaction of the Company and was subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion of the first tranche acquisition took place in January 2017. The Group and China Wah Yan Healthcare Limited entered into a deed of termination on 27 March 2017 and agreed not to proceed with the second tranche acquisition of approximately 18% of the issued share capital of RK Pharmaceutical since it was unlikely for the Company and China Wah Yan Healthcare Limited to obtain their respective shareholders' approvals, being the conditions precedent to the second tranche acquisition by the long stop date of 30 April 2017, and the parties could not come to a consensus as to the extension of the long stop date.

As at the date of this report, the Group held approximately 11% of the issued share capital of RK Pharmaceutical and such investment in RK Pharmaceutical is accounted for as an available-for-sale financial asset of the Group in its financial statements. For further details, please refer to the announcements of the Company dated 2 December 2016 and 27 March 2017.

Acquisition of WinHealth International

On 5 December 2016 and 14 March 2017, the Group entered into a sale and purchase agreement and a supplemental agreement with Mr. Wang, an independent third party, for the acquisition of 15% of the issued share capital of WinHealth International at a consideration of RMB47.25 million (equivalent to approximately HK$53.4 million) in cash (subject to downward adjustments after completion). Pursuant to the sale and purchase agreement (as amended and supplemented by the supplemental agreement), subject to completion, the consideration shall be subject to downward adjustments (if applicable) as follows:

(i) in the event that the audited consolidated net operating profit of WinHealth International after taxation for the year ending 31 December 2017 ("WinHealth International 2017 Audited Profit") is less than RMB35.0 million ("WinHealth International 2017 Target Profit"), Mr. Wang shall pay to the Group a sum in cash equal to 15% of the difference between the WinHealth International 2017 Target Profit and the WinHealth International 2017 Audited Profit;

(ii) in the event that the audited consolidated net operating profit of WinHealth International after taxation for the year ending 31 December 2018 ("WinHealth International 2018 Audited Profit") is less than RMB38.5 million ("WinHealth International 2018 Target Profit"), Mr. Wang shall pay to the Group a sum in cash equal to 15% of the difference between the WinHealth International 2018 Target Profit and the WinHealth International 2018 Audited Profit; and

(iii) in the event that the audited consolidated net operating profit of WinHealth International after taxation for the year ending 31 December 2019 ("WinHealth International 2019 Audited Profit") is less than RMB42.35 million ("WinHealth International 2019 Target Profit"), Mr. Wang shall pay to the Group a sum in cash equal to 15% of the difference between the WinHealth International 2019 Target Profit and the WinHealth International 2019 Audited Profit.

For the purpose of calculating the above adjustments, where the audited consolidated net operating profit of WinHealth International after taxation for the relevant financial year is a negative figure, such profit after taxation shall remain as a negative figure.

WinHealth International and its subsidiaries are principally engaged in the distribution of pharmaceutical products in the PRC and their management team has extensive experience in obtaining exclusive distribution rights of imported prescription drugs in the PRC.

Completion of the acquisition of 15% of the issued share capital of WinHealth International took place on 17 March 2017 and such investment in WinHealth International is accounted for as an associate of the Group in its financial statements. For further details, please refer to the announcements of the Company dated 5 December 2016 and 14 March 2017.

Acquisition of shares in Town Health

On 10 April 2017, the Group acquired an aggregate of 120,000,000 shares of Town Health, representing approximately 1.55% of the then total issued share capital of Town Health, for an aggregate consideration of HK$144.4 million (excluding stamp duty and related expenses) at an average price of HK$1.2 per share of Town Health ("TH Share") in open market ("TH Shares Acquisition"). Town Health is a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3886). Town Health and its subsidiaries (collectively, the "TH Group") are principally engaged in healthcare business in Hong Kong, which comprises managed care, medical and dental clinics operation and provision of beauty and cosmetic medical services. The other major business segment of the TH Group is healthcare businesses in the PRC, which include provision of hospital and clinic management services. The TH Group is also involved in investment businesses including direct investment in the healthcare sector and investment in securities and properties. Immediately before the TH Shares Acquisition, the Company did not hold any TH Shares. The transaction itself constituted a disclosable transaction of the Company and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. As at the date of this report, the Group held approximately 1.59% of the total issued share capital of Town Health which is accounted for as an available-for-sale financial asset of the Group in its financial statements. For further details, please refer to the announcement of the Company dated 10 April 2017.

Save as aforesaid, the Group had no material acquisition or disposal during the Period.

Contingent liabilities

As at 30 June 2017, 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 2017, the Group had pledged the buildings and prepaid lease payments with an aggregate carrying amount of approximately HK$27,396,000 (31 December 2016: HK$26,935,000) to secure general banking facilities granted to the Group.

Available-for-sale investments

The Group's available-for-sale investments represent (i) equity securities listed in Hong Kong as stated at fair value which have been determined based on the quoted market bid prices available on the Stock Exchange, and (ii) unlisted equity securities issued by private entities incorporated in the Cayman Islands with limited liability. Investments in unlisted equity securities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

As at 30 June 2017, the stock namely Town Health (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 3886) and RK Pharmaceutical (a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange with stock code: 8037) with a carrying amount of HK$81.6 million and HK$39.9 million respectively, accounted for approximately 64.5% and 31.5% of the total carrying amount of the Group's listed available-for-sale investments as at 30 June 2017.

During the Period, the Group disposed of certain equity securities listed in Hong Kong. As a result, the fair value gain of approximately HK$2.1 million has been recorded. Besides, due to a significant decline in the fair value of certain listed investments to prices below their costs, impairment losses amounting to approximately HK$65.4 million have been recognised during the Period, which were mostly related to the impairment losses on the investment in Town Health. The Group recorded an impairment loss on its investment in the shares of Town Health of approximately HK$62.8 million for the Period. As at 30 June 2017, the Group held 120,000,000 TH Shares as available-for-sale investments, representing approximately 1.59% of the issued share capital of Town Health. The Group will continue to monitor its investments cautiously in view of 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 2017, the Group had 54 employees (31 December 2016: 53). Staff costs, including Directors' remuneration for the Period, amounted to approximately HK$9,666,000 (six months ended 30 June 2016: HK$7,391,000). The Group's remuneration policy is based on positions, duties and performances 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. In addition, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations.

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

The Group carries out its business in the PRC and most of the transactions are denominated in RMB. The Group has foreign currency bank balances which expose the Group to foreign currency risk. To mitigate the foreign currency risk, the Group continually assesses and monitors the exposure of the exchange rate fluctuations. During the Period, the Directors did not consider it necessary to adopt a foreign currency hedging policy as the potential impact on the profit or loss of the Group due to the exchange rate fluctuations was immaterial.

Subsequent event

On 24 August 2017, China New Rich, a wholly-owned subsidiary of the Company, accepted the unconditional mandatory general cash offer ("Offer") made by Guoyuan Capital (Hong Kong) Limited and Zhaobangji International Capital Limited for and on behalf of Genius Lead Limited ("Offeror"), an independent third party, pursuant to which China New Rich tendered to the Offeror all the 86,700,000 shares of RK Pharmaceutical, the shares of which are listed on GEM (stock code: 8037) ("RK Pharmaceutical Shares") currently held by it, at the price of HK$0.51 per RK Pharmaceutical Share for a total consideration of HK$44,217,000. In accordance with the composite document dated 7 August 2017 jointly issued by the Offeror and RK Pharmaceutical in relation to the Offer, the Offer is unconditional. After the completion of such disposal, the Group will cease to have any interest in RK Pharmaceutical. For further details, please refer to the announcement of the Company dated 24 August 2017.

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

As at 30 June 2017, 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 by the Company 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/ underlying shares of the Company	Position	Approximate percentage of the total issued shares (Note 2)
Zhou Ling ("Mr. Zhou")	Beneficial owner and interest of spouse	125,207,786 (Note 1)	Long	7.52%
Yang Fang ("Ms. Yang")	Beneficial owner and interest of spouse	125,207,786 (Note 1)	Long	7.52%

Notes:

1. Mr. Zhou, an executive Director and the Chairman of the Board, beneficially owns 87,256,845 shares/underlying shares. Ms. Yang, an executive Director and the chief executive officer of the Company, beneficially owns 37,950,941 shares/underlying shares. Mr. Zhou is the spouse of Ms. Yang. Accordingly, Mr. Zhou was deemed to be interested in all the 37,950,941 shares/underlying shares held by Ms. Yang by virtue of the SFO and Ms. Yang was deemed to be interested in all the 87,256,845 shares/underlying shares held by Mr. Zhou by virtue of the SFO. Among these 125,207,786 shares/underlying shares of the Company, each of Mr. Zhou and Ms. Yang had interest in 3,739,893 underlying shares of the Company with an exercise period from 14 September 2016 to 13 September 2017 at an exercise price of HK$0.372 per share.

2. The total number of 1,665,792,000 shares in issue as at 30 June 2017 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 30 June 2017, 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 (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company 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 2017, other than the interests in respect of the Directors and chief executive of the Company as disclosed above, the following persons had an interest or a short position in the shares or underlying shares of the Company 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)
U Man Iong	Beneficial owner	137,560,000	Long	8.26%
China Wah Yan Healthcare Limited ("China Wah Yan") (Note 1)	Interest of a controlled corporation	137,427,840	Long	8.25%

Note 1: Such 137,427,840 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 was deemed to be interested in the 137,427,840 shares held by Classic Estate Investments Limited by virtue of Part XV of the SFO.

Note 2: The total number of 1,665,792,000 shares in issue as at 30 June 2017 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 30 June 2017, no person (other than Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company 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 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.

Details of the share options are as follows:

Date of grant	Vesting date	Exercise period
14 September 2016	14 September 2016	14 September 2016 to 13 September 2017

The following table sets out the movements of the number of the Company's share options held by the eligible participants during the Period:

Category of participants	Outstanding at 31.12.2016	Granted during the Period	Exercised during the Period	Forfeited/ Cancelled during the Period	Adjustments due to the Rights Issue	Outstanding at 30.06.2017
Directors						
Mr. Zhou Ling	3,464,000	–	–	–	275,893	3,739,893
Ms. Yang Fang	3,464,000	–	–	–	275,893	3,739,893
Mr. Lee Chik Yuet (Note)	3,464,000	–	–	–	275,893	3,739,893
Employees	5,608,000	–	–	–	446,657	6,054,657
	16,000,000	–	–	–	1,274,336	17,274,336
Exercisable at the end of the Period						17,274,336
Weighted average exercise price (HK$)	0.402	N/A	N/A	N/A	N/A	0.372

Note: Retired on 20 June 2017.

DIRECTORS' RIGHTS TO ACQUIRE COMPANY'S SHARES OR DEBENTURES

Save as disclosed in the sub-sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" in this report, 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.

CHANGE OF DIRECTORS

Mr. Lee Chik Yuet has retired as an executive Director and ceased to be the chairman of the corporate governance committee of the Board at the conclusion of the annual general meeting of the Company held on 20 June 2017. Mr. Sung Hak Keung, Andy has also retired as an independent non-executive Director and ceased to be the chairman of the audit committee of the Board ("Audit Committee") and a member of the remuneration committee ("Remuneration Committee") and the nomination committee ("Nomination Committee") of the Board at the conclusion of the annual general meeting of the Company held on 20 June 2017.

Ms. Li Sin Ming, Ivy has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee with effect from 20 June 2017.

For further details, please refer to the announcement of the Company dated 20 June 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company adopted its own code of corporate governance based on the principles and the code provisions as set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules.

Code provision A.2.7 of the 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 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, *SBS, MH,* Ms. Li Sin Ming, Ivy and Mr. Leung Chi Kin. Ms. Li Sin Ming, Ivy is the chairman of the Audit Committee.

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

On behalf of the Board
New Ray Medicine International Holding Limited
Zhou Ling
Chairman & Executive Director

Hong Kong, 29 August 2017