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New Ray Medicine
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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)

DISCLOSEABLE TRANSACTION: ACQUISITION OF 12% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that after trading hours on 5 December 2016, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing 12% of the issued share capital of the Target Company at the Consideration of RMB37.8 million (equivalent to approximately HK$42.7 million). The Consideration is subject to the Adjustments.

The Target Group is principally engaged in the business of distribution of pharmaceutical products in the PRC.

Immediately after Completion, the Group will hold 12% of the issued share capital of the Target Company and the Target Company will be accounted for as available-for-sale investments of the Group in its financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but all applicable percentage ratios (as defined under the Listing Rules) are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

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THE SP AGREEMENT

The major terms of the SP Agreement are set out below:

Date

5 December 2016

Parties

Vendor:	Wang Wei（王威）
Purchaser:	Major Bright Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendor is an Independent Third Party.

Assets to be acquired

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 12% of the issued share capital of the Target Company as at the date of the SP Agreement and the Completion Date, free from all encumbrances and together with all rights now or thereafter attaching thereto including all dividends or distributions which may be declared, paid or made in respect thereof at any time on or after the Completion Date.

Consideration

The Consideration shall be RMB37.8 million (equivalent to approximately HK$42.7 million) and shall be payable by the Purchaser to the Vendor in cash on the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms principally with reference to (i) historical financial performance of the WFOE; and (ii) the business potential of the Target Group.

The Consideration will be funded by the internal resources of the Group and/or borrowings and/or other financing alternatives.

Subject to Completion, the Consideration shall be subject to adjustments ("**Adjustments**") in the manner as stipulated below.

For the purpose of the Adjustments, the "**Audited NOP**" is the Target Group's audited consolidated net operating profit after tax.

With respect to the first adjustment under the Adjustments, if the Audited NOP for FY2017 is less than the target amount of RMB35,000,000 (for the purpose of calculating the Initial Adjustment Amount (as defined below), where the Audited NOP for FY2017 is a negative figure, such Audited NOP shall remain as a negative figure), the Vendor shall, within 10 Business Days after the issuance of the audited consolidated financial statements of the Target Group for FY2017, pay to the Purchaser a sum ("**Initial Adjustment Amount**"), in cash, which is determined in accordance with the following formula:

Initial Adjustment Amount = (RMB35,000,000 – the Audited NOP for FY2017) x 12%

With respect to the second adjustment under the Adjustments, if the Audited NOP for FY2018 is less than the target amount of RMB38,500,000 (for the purpose of calculating the Second Adjustment Amount (as defined below), where the Audited NOP for FY2018 is a negative figure, such Audited NOP shall remain as a negative figure), the Vendor shall, within 10 Business Days after the issuance of the audited consolidated financial statements of the Target Group for FY2018, pay to the Purchaser a sum ("**Second Adjustment Amount**"), in cash, which is determined in accordance with the following formula:

Second Adjustment Amount = (RMB38,500,000 – Audited NOP for FY2018) x 12%

With respect to the third adjustment under the Adjustments, if the Audited NOP for FY2019 is less than the target amount of RMB42,350,000 (for the purpose of calculating the Third Adjustment Amount (as defined below), where the Audited NOP for FY2019 is a negative figure, such Audited NOP shall remain as a negative figure), the Vendor shall, within 10 Business Days after the issuance of the audited consolidated financial statements of the Target Group for FY2019, pay to the Purchaser a sum ("**Third Adjustment Amount**"), in cash, which is determined in accordance with the following formula:

Third Adjustment Amount = (RMB42,350,000 – Audited NOP for FY2019) x 12%

If the Vendor fails to perform its duty to pay in accordance with the stipulation under the adjustment regime above, it shall pay interest at an interest rate of 8% per annum for any payment overdue. Such interest shall be calculated from the date on which such payment becomes due until the date it is fully paid (both dates inclusive) and is calculated on a 360 days/per annum basis.

Conditions Precedent:

Completion shall be conditional upon and subject to:

(1) (if applicable) the Company having complied with the notification, publication and/or shareholders' approval requirements in respect of the SP Agreement and the transactions contemplated thereunder (including the acquisition of the Sale Shares by the Purchaser) under Chapter 14 of the Listing Rules;

(2) (if applicable) all necessary approvals by relevant government bodies and/or competent authorities and/or third parties required to be obtained on the part of the Purchaser and the Vendor in respect of the SP Agreement and the transactions contemplated thereunder having been obtained;

(3) the Purchaser having completed and being satisfied with the results of the due diligence review (including but not limited to legal, accounting, financial, business, operation and other aspects which the Purchaser considers necessary) on the Target Group and its businesses, assets, debts, activities, operations, prospects and others which the Purchaser, its agents or professional advisers consider necessary and appropriate;

(4) the Purchaser being satisfied that, from the date of the SP Agreement until Completion, the Warranties would remain true, accurate and not misleading and there being no situations, facts or circumstances that would render the Vendor in breach of the Warranties or the SP Agreement;

(5) the completion of the transactions contemplated under the SP Agreement not to be restricted or prohibited by any applicable laws, including any order, injunction, judgment or ruling of any courts or other government bodies in any form; and

(6) there being no Material Adverse Change.

The Purchaser may at any time before the Long Stop Date waive in writing the conditions set out in (3), (4) and (6) above.

If the conditions set out above shall have not been fulfilled (or as the case may be, waived) in full at or before 5:00 p.m. on the Long Stop Date, all other rights and obligations of the parties thereunder shall cease and terminate, save and except for those relating to confidentiality, costs and expenses and miscellaneous matters which provisions shall remain in full force and effect and none of the parties shall have any obligations and liabilities towards each other under the SP Agreement save for any antecedent breaches of the terms of the SP Agreement.

Completion

Upon fulfilment or (if applicable) waiver of the conditions precedent, Completion shall take place on the Completion Date.

Immediately after Completion, the Group will hold 12% of the issued share capital of the Target Company and the Target Company will be accounted for as available-for-sale investments of the Group in its financial statements.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability on 13 March 2015 whose principal business activity is investment holding. It is owned as to 85% by the Vendor and 15% by the Vendor's spouse who is an Independent Third Party as at the date of the SP Agreement. As at the date of this announcement, the Target Company holds 100% of the issued shares of the HK Subsidiary, an investment holding company incorporated in Hong Kong with limited liability on 15 December 2015 and the HK Subsidiary holds 100% of the equity interests of the WFOE.

The WFOE is a wholly foreign owned enterprise established in the PRC on 8 October 1992 and is principally engaged in the business of distribution of pharmaceutical products in the PRC.

As each of the Target Company and the HK Subsidiary was newly incorporated, no audited financial statements have been prepared for these two companies since their respective incorporations and no financial information for the year 2014 and 2015 on each of the Target Company and the HK Subsidiary is presented in this announcement.

The unaudited consolidated total asset value and the unaudited consolidated net asset value of the Target Group as at 31 October 2016 are approximately RMB134,614,000 (equivalent to approximately HK$152,113,820) and approximately RMB5,010,100 (equivalent to approximately HK$5,661,413) respectively.

The audited financial information of the WFOE for the two years ended 31 December 2015 is as follows:

	For the year ended 31 December 2014 *(Approximately)*	**For the year ended 31 December 2015** *(Approximately)*
Revenue	RMB247,718,000 (equivalent to approximately HK$279,921,340)	RMB266,535,000 (equivalent to approximately HK$301,184,550)
Net profit before taxation	RMB1,100,000 (equivalent to approximately HK$1,243,000)	RMB30,000 (equivalent to approximately HK$33,900)
Net profit (loss) after taxation	RMB798,000 (equivalent to approximately HK$901,740)	(RMB45,000) (equivalent to approximately (HK$50,850))
Net profit excluding the non-recurring gains and losses (after taxation)	RMB851,000 (equivalent to approximately HK$961,630)	RMB2,055,000 (equivalent to approximately HK$2,322,150)

The unaudited revenue of the WFOE was approximately RMB322,351,000 (equivalent to approximately HK$364,256,630) for the 10 months ended 31 October 2016. The unaudited net profit after taxation of the WFOE was approximately RMB1,070,000 (equivalent to approximately HK$1,209,100) and the unaudited net profit excluding the non-recurring gains and losses (after taxation) was approximately RMB9,605,000 (equivalent to approximately HK$10,853,650) for the 10 months ended 31 October 2016 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in pharmaceutical distribution business in the PRC.

As advised by the Vendor, the Target Group has successfully promoted its pharmaceutical products to around 5,000 hospitals in the PRC and the management team of the Target Group has extensive experience in obtaining exclusive distribution rights of the imported prescription drugs in the PRC.

The Group will invest more resources in obtaining exclusive distribution rights of the imported prescription drugs which have superior features and quality as the Group expects that the demand for imported prescription drugs will grow faster than that for the domestically manufactured drugs.

The factors driving the demand for imported prescription drugs include (i) the increase in chronic diseases due to the aging population and environmental problems; (ii) the increase in disposable income of PRC citizens that PRC citizens can afford the more expensive imported prescription drugs; and (iii) the increasing product quality awareness of PRC citizens.

Having considered the extensive network of the Target Group and the experience of its management team, the Board is of the view that the Acquisition would represent an opportunity to bring possible synergies between the Group and the Target Group on pharmaceutical distribution business in the PRC and investment return to the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but all applicable percentage ratios (as defined under the Listing Rules) are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

"Acquisition"	the acquisition of the Sale Shares
"Board"	the board of Directors
"Business Day"	any day (excluding Saturday, Sunday or public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Company"	New Ray Medicine International Holding Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the SP Agreement

"Completion Date"	the third Business Day following the date of fulfilment or waiver of all conditions precedent under the SP Agreement (or such later date as the Vendor and the Purchaser may agree in writing) on which Completion is to take place
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	RMB37.8 million (equivalent to approximately HK$42.7 million) payable by the Purchaser for the acquisition of the Sale Shares under the SP Agreement
"Director(s)"	the director(s) of the Company
"FY2017"	the financial year of the Target Group ending 31 December 2017
"FY2018"	the financial year of the Target Group ending 31 December 2018
"FY2019"	the financial year of the Target Group ending 31 December 2019
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK Subsidiary"	Eternal Charm (China) Limited (恒雅(中國)有限公司), a company incorporated in Hong Kong with limited liability and is wholly owned by the Target Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) who is/are independent of and not connected with the Company and its connected persons

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2017 (or such later date as the Vendor and the Purchaser may agree in writing)
"Material Adverse Change"	any change (or effect) which has a material and adverse effect on the financial position, business, operation or assets or results of operations of the Target Group as a whole
"PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Major Bright Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	12 issued shares of par value of HK$1 each, representing 12% of the issued share capital of the Target Company as at the date of the SP Agreement and the Completion Date
"Share(s)"	ordinary shares of HK$0.05 each in the share capital of the Company and each a "Share"
"Shareholder(s)"	holder(s) of the Share(s)
"SP Agreement"	the sale and purchase agreement dated 5 December 2016 entered into between the Vendor and the Purchaser in relation to the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	Eternal Charm International Limited (恒雅國際有限公司), a company incorporated in the BVI with limited liability
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Mr. Wang Wei (王威), an Independent Third Party
"Warranties"	the representations, warranties and undertakings given by the Vendor in the SP Agreement
"WFOE"	浙江醫學科技開發有限公司, a wholly foreign owned enterprise established in the PRC with limited liability and a direct wholly-owned subsidiary of the HK Subsidiary
"%"	per cent.

In this announcement, amounts denominated in RMB have been converted into HK$ at the exchange rate of RMB1 = HK$1.13. Such exchange rate is for illustration purposes only and does not constitute representation that any amount in HK$ or RMB has been, could have been or may be converted at such rates.

By Order of the Board
New Ray Medicine International Holding Limited
Lee Chik Yuet
Executive Director

Hong Kong, 5 December 2016

As of the date of this announcement, the executive Directors are Mr. Zhou Ling, Ms. Yang Fang and Mr. Lee Chik Yuet; and the independent non-executive Directors are Mr. Ho Hau Cheung, BBS, MH, Mr. Sung Hak Keung, Andy and Mr. Leung Chi Kin.