



New Ray Medicine International Holding Limited
新銳醫藥國際控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 8180

2013 *Third Quarterly*
Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of New Ray Medicine International Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

UNAUDITED THIRD QUARTERLY RESULTS

The board (the “Board”) of directors (the “Directors”) of New Ray Medicine International Holding Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and the nine months ended 30 September 2013 together with the comparative unaudited figures for the corresponding period in 2012 prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The unaudited consolidated results have not been audited by the Company’s auditors but have been reviewed by the audit committee of the Board.

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

For the three months and the nine months ended 30 September 2013

	Notes	Three months ended 30 September		Nine months Ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	4	42,222	49,622	125,894	139,450
Cost of sales		(32,698)	(39,265)	(97,915)	(108,376)
Other income, gains and losses	5	9,524	10,357	27,979	31,074
Selling and distribution expenses		307	1,219	1,357	1,515
Administrative expenses		(738)	(820)	(2,093)	(2,057)
Listing expenses		(1,672)	(1,954)	(5,011)	(4,983)
Finance costs	6	(2,612)	(4,556)	(8,030)	(4,556)
Finance costs		(481)	–	(4,336)	–
Profit before tax		4,328	4,246	9,866	20,993
Income tax expense	7	(2,054)	(2,310)	(6,062)	(7,566)
Profit for the period		2,274	1,936	3,804	13,427
Other comprehensive income for the period:					
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange difference arising on translation of functional currency to presentation currency		1,189	1,311	3,007	89
Total comprehensive income for the period		3,463	3,247	6,811	13,516
Profit for the period attributable to: owners of the Company		2,274	1,936	3,804	13,427
Total comprehensive income attributable to owners of the Company		3,463	3,247	6,811	13,516
Earnings per share:					
– Basic and diluted (HK\$ cent)		0.4	0.4	0.7	2.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine months ended 30 September 2013

	Attributable to equity holders of the Company					
	Share capital	Special reserve	Statutory reserve fund	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	–	75,367	6,782	9,402	42,842	134,393
Profit for the period	–	–	–	–	3,804	3,804
Exchange differences arising on the translation of foreign operations	–	–	–	3,007	–	3,007
Total comprehensive income for the period	–	–	–	3,007	3,804	6,811
Reorganization	2	(2)	–	–	–	–
Transfer	–	–	1,521	–	(1,521)	–
At 30 September 2013 (unaudited)	2	75,365	8,303	12,409	45,125	141,204
At 1 January 2012	–	75,367	4,574	8,259	29,723	117,923
Profit for the period	–	–	–	–	13,427	13,427
Exchange differences arising on the translation of foreign operations	–	–	–	89	–	89
Total comprehensive income for the period	–	–	–	89	13,427	13,516
Released upon dissolution of Hongzhou Xin Hong	–	–	(983)	–	983	–
Transfer	–	–	1,886	–	(1,886)	–
At 30 September 2012 (unaudited)	–	75,367	5,477	8,348	42,247	131,439

Note:

Pursuant to the articles of association of certain subsidiaries of the Company in the People's Republic of China ("PRC"), those subsidiaries should transfer not less than 10% of net profit to the statutory surplus reserve fund, while the rest of the Company's PRC subsidiaries can make appropriation of net profit to the statutory surplus reserve fund on a discretionary basis.

The statutory surplus reserve fund can be used to make up for previous year's loss, expand the existing operations or convert into additional capital of those PRC subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

New Ray Medicine International Holding Limited (the “Company”) was incorporated in the Bermuda on 9 August 2012 as an exempted company with limited liability under the laws of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. Its place of business in Hong Kong is located at Room 1001, 10th Floor, Sino Centre, Nos. 582-592 Nathan Road, Kowloon, Hong Kong.

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

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

2 REORGANIZATION

In preparing for the listing of shares of the Company on the GEM of the Stock Exchange (the “Listing”), the Company underwent the reorganisation, pursuant to which the group companies owned by the controlling shareholders were transferred to the Company. The reorganisation involved the following:

- (a) On 19 June 2012, 泓銳 (杭州) 生物醫藥科技有限公司 (for identification purpose only, in English, Hong Rui (Hangzhou) Bio-medical Technology Co. Ltd.) (“Hong Rui Bio-medical”) merged with its direct wholly-owned subsidiary, 杭州新泓生物醫藥科技有限公司 (for identification purpose only, in English, Hangzhou Xin Hong Bio-medical Technology Co. Ltd.) (“Hangzhou Xin Hong”), whereby Hangzhou Xin Hong was dissolved and all assets and liabilities of Hangzhou Xin Hong were taken up by Hong Rui Bio-medical.
- (b) On 9 August 2012, the Company was incorporated in Bermuda as exempted company with limited liability with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. On 23 August 2012, one subscriber share, was allotted and issued as nil paid share, to Town Health Pharmaceutical Limited (“Town Health Pharmaceutical”).
- (c) On 26 September 2013, Max Goodrich International Limited (“Max Goodrich”)’s shareholders namely, Town Health Pharmaceutical, Mr. Zhou Ling (周凌) (“Mr. Zhou”), Mr. Dai Haidong (戴海東) (“Mr. Dai”), Mr. He Linxing (賀林興) (“Mr. He”), Ms. Yang Fang (楊芳) (“Ms. Yang”) and Festive Mood Group Ltd. (“Festive Mood”), as vendors, and the Company as purchaser entered into a sale and purchase agreement whereby Town Health Pharmaceutical, Mr. Zhou, Mr. Dai, Mr. He, Ms. Yang and Festive Mood have sold their respective interests in Max Goodrich to the Company at a consideration which has been satisfied by (i) the allocation and issue, credited as fully paid, of 20,999 shares to Town Health Pharmaceutical, Mr. Zhou, Mr. Dai, Mr. He, Ms. Yang and Festive Mood in proportion to their then shareholdings in Max Goodrich, that is 10,079 shares to Town Health Pharmaceutical, 4,216 shares to Mr. Zhou, 2,457 shares to Mr. Dai, 1,260 shares to Mr. He, 1,727 shares to Ms. Yang, 1,260 shares to Festive Mood; and (ii) the crediting as fully paid at par the one nil paid share held by Town Health Pharmaceutical.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (herein after collectively referred to as the “HKFRSs”) and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules. The accounting policies adopted in preparing the unaudited consolidated financial statements for the nine months ended 30 September 2013 are consistent with those followed in the preparation of the Group’s financial statements for the period ended 30 June 2013 disclosed in prospectus dated 18 October 2013.

The consolidated financial statements have been prepared under the historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at fair values.

4. REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. The Group’s revenue during the period is derived from trading of pharmaceutical products.

5. OTHER INCOME, GAINS AND LOSSES

	Three months ended 30 September		Nine months ended 30 September	
	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000
Bank Interest income	70	23	220	107
Sundry income	–	165	–	165
Imputed interest and adjustment on deposits paid to suppliers	237	1,031	709	1,243
Gain on disposal of property, plant and equipment	–	–	428	–
	307	1,219	1,357	1,515

6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000
Interest on borrowing wholly repayable within five years:				
Bank and other borrowings wholly repayable within one year	481	–	1,322	–
Imputed interest and adjustment on deposits paid to suppliers upon initial recognition	–	–	3,014	–
	481	–	4,336	–

New Ray Medicine International Holding Limited

7. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current Tax:				
PRC Enterprise Income Tax ("EIT")	1,813	1,923	5,378	6,130
Deferred Tax	241	387	684	1,436
	2,054	2,310	6,062	7,566

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits in Hong Kong.

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2013 (2012: Nil).

9. EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Earnings				
Earnings for the purpose of basic and dilute earnings per share	2,274	1,936	3,804	13,427
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	520,000,000	519,979,000	520,000,000	519,979,000
Basic earnings per share (HK\$ cent)	0.4	0.4	0.7	2.6

Note:

The basic and diluted earnings per share for the respective periods are the same as there are no dilutive ordinary shares. The basic and diluted earnings per share as presented on the condensed consolidated statement of comprehensive income have taken into account the capitalisation issue as described in Note 10.

10. SUBSEQUENT EVENTS

Pursuant to resolutions in writing passed by the shareholders of the Company on 26 September 2013, conditional upon the share premium account of the Company being credited as a result of the placing of the shares of the Company as disclosed in the prospectus of the Company (the "Placing"), the directors of the Company were authorised to allot and issue a total of 519,979,000 shares credited as fully paid at par to the holders of shares whose names appear on the register of members of the Company at the close of business on 3 October 2013 in proportion to their then existing respective shareholdings by way of capitalisation of the sum of HK\$5,199,790 standing to the credit of the share premium account of the Company.

On 25 October 2013, 280,000,000 shares of HK\$0.01 each of the Company were issued at an issue price of HK\$0.25 each by way of the Placing.

All the above shares of the Company issued rank pari passu with other shares of the Company in issue in all respects. The Company successfully listed its shares on the GEM of the Stock Exchange on 25 October 2013.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an established pharmaceutical distributor originated from Zhejiang province and headquartered in Hangzhou, Zhejiang province. The Group is principally engaged in pharmaceutical distribution business in the People's Republic of China (the "PRC") with a focus in Zhejiang province. The Group sourced and procured pharmaceutical products through its network of 47 suppliers and sold all of the pharmaceutical products through the Group's distribution network of 117 distributor and/or customer (as the case may be) which has a contractual relationship with the Group for purchase of the products distributed by the Group ("Distributor Customer") in 19 regions throughout the PRC. The 19 regions include most cities and provinces among the top 10 pharmaceutical products markets in the PRC in 2012.

Business Review

The shares of the Company were successfully listed on GEM on 25 October 2013 (the "Listing"). The Listing has strengthened the Group's financial position with the net proceeds raised in connection with the Listing and has provided the Group with additional avenues to raise capital for future expansion.

For the nine months ended 30 September 2013 (the "Review Period"), the Group recorded revenue of approximately HK\$125,894,000, representing a decrease of approximately 9.7%, compared with that of the corresponding period in 2012. Such decrease was primarily due to the decreases in revenues from the sales of the Group's products, namely Ozagrel Sodium for Injection (注射用奧紮格雷鈉) and Cefoxitin Sodium for Injection (注射用頭孢西丁鈉). The Group recorded gross profit margin of approximately 22.2% for the Review Period, maintaining a stable level as compared to that of the corresponding period last year. Net profit attributable to equity shareholders of the Company for the Review Period was approximately HK\$3,804,000, representing a decrease of approximately 71.7% when compared to the corresponding period last year, which was mainly attributable to the significant increase in finance cost due to (i) the imputed interest and adjustment on deposit paid to suppliers upon initial recognition of HK\$3,014,000 and (ii) the increase in the Group's borrowings for the listing expenses and payment in relation to the obtaining of distribution right by the Group at the end of 2012 and early 2013, (iii) the significant increase in listing expenses and; (iv) the Group recorded gross profit of approximately HK\$27,979,000 for the Review Period, representing a decrease of approximately 10% when compared to the corresponding period last year. Such decrease in gross profit was mainly attributable to the decrease in revenue.

Recent Development

The Listing marks an important milestone for the Group, the Group aims to become one of the leading distributors of pharmaceutical products in the PRC.

During the year 2012 and the Review Period, the Group identified and acquired one product with exclusive national distribution rights and 6 new types of products (including 8 specifications) with exclusive provincial distribution rights. All the above are subject to the upcoming provincial collective tendering process. In addition, the Group has identified one product without production permit, namely Fasudil Hydrochloride Injection (鹽酸法舒地爾氯化鈉注射液), where the Group has entered into the legally binding contract with the relevant supplier of the product and the Group will enter the exclusive distribution agreement with this supplier in the event that the pharmaceutical production permit is to be granted before 1 July 2014 or the Group will terminate such contract.

Outlook

After a marked downturn of the global economic activity over the past two years, global economic activity is expected to slowly gain momentum in the second half of 2013 and 2014. The economy of China is expected to have sustainable and balanced growth.

In addition, with an aim to boost the development of health care services, the PRC government announced, on 14 October 2013, among other matters, a plan to increase the size of the domestic health care sector to more than RMB 8 trillion by 2020. This will be a drastic increase when compared to that of RMB1.25 trillion in 2011 and will represent a compound annual growth of around 26% in the next seven years. The Group believes that the Group's business will benefit from the favorable market environment.

The Group will continue to strengthen its position so as to become one of the leading distributors of pharmaceutical products in the PRC. The Group will identify and obtain new exclusive distribution rights of the prescription drugs should appropriate potential products and chances arise, expand the Group's products offerings to second and third tier cities and to new markets in Zhejiang province as well as the other Eastern China region which the Group has not yet explored, offer the Group's products to more district hospitals and other medical institutions within the geographical areas covered by the Group's distribution network in the PRC.

Furthermore, the Group will work closely with the Group's suppliers and Distributor Customer throughout the PRC to expand the sales and marketing of the Group's products to those regions and cities, in which the Group's distribution network currently has limited or no presence. The Group also intends to hire additional sales and marketing personnel to expand the Group's existing sales and marketing team to support the expansion of the Group's distribution network. The Group believes that establishing a strong and long-term relationship with the Group's suppliers and Distributor Customer on how to market and sell the Group's products is crucial to the Group's success.

The Group holds a prudently optimistic view towards the development of the health care service industry in the PRC. The Group will continue to enhance its core business, at the same time, maintain solid relationship with the Group's suppliers and Distributor Customer. Furthermore, the Group will strive to maintain a healthy financial and liquidity position for future sustainable growth.

FINANCIAL REVIEW

Revenue

The total revenue for the nine months ended 30 September 2013 was approximately HK\$125,894,000, representing a decrease of approximately 9.7% from approximately HK\$139,450,000 for the nine months ended 30 September 2012. The decrease was primarily due to the decreases in sales revenues from the sales of the Group's products, namely Ozagrel Sodium for Injection (注射用奧紮格雷鈉) and Cefoxitin Sodium for Injection (注射用頭孢西丁鈉).

Cost of sales

The cost of sales for the nine months ended 30 September 2013 was approximately HK\$97,915,000, representing a decrease of approximately 9.7% from approximately HK\$108,376,000 for the nine months ended 30 September 2012. The decrease in cost of sales was in line with the decrease in revenue during the Review Period.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$3,095,000, or approximately 10.0%, from approximately HK\$31,074,000 for the nine months ended 30 September 2012 to approximately HK\$27,979,000 for the nine months ended 30 September 2013. Gross profit margin maintained at a stable level of approximately 22.2% during both the nine months ended 30 September 2012 and the nine months ended 30 September 2013. The decrease in gross profit was mainly attributable to the decrease in the revenue during the Review Period.

Other income, gains and losses

Other income, gains and losses for the nine months ended 30 September 2013 was approximately HK\$1,357,000, representing a decrease of approximately 10.4% from approximately HK\$1,515,000 for the nine months ended 30 September 2012. Other income, gains and losses primarily includes (i) the imputed interest and adjustment on deposits paid to suppliers; (ii) a gain on disposal of property, plant and equipment; and (iii) bank interest income.

Selling and distribution expenses

Selling and distribution expenses for the nine months ended 30 September 2013 was approximately HK\$2,093,000, representing an increase of approximately 1.8% from approximately HK\$2,057,000 for the nine months ended 30 September 2012. Such an increase was primarily due to the increase in salaries to the Group's employees.

Administrative expenses

Administrative expenses for the nine months ended 30 September 2013 was approximately HK\$5,011,000, representing an increase of approximately 0.6% from approximately HK\$4,983,000 for the nine months ended 30 September 2012.

Listing expenses

Listing expenses for the nine months ended 30 September 2013 was approximately HK\$8,030,000 as compared to approximately HK\$4,556,000 for the nine months ended 30 September 2012, representing an increase of approximately 76.3%. Such an increase was attributable to certain one-off additional expenses incurred in relation to the Listing.

Finance costs

Finance costs for the nine months ended 30 September 2013 was approximately HK\$4,336,000 as compared to nil for the nine months ended 30 September 2012. The increase was mainly due to (i) the imputed interest and adjustment on deposit paid to suppliers upon initial recognition of approximately HK\$3,014,000 and (ii) an increase in the Group's borrowings for listing expenses and for payment in relation to the obtaining of distribution right by the Group at the end of 2012 and early 2013.

Income tax expenses

Income tax expenses for the nine months ended 30 September 2013 was approximately HK\$6,062,000, representing a decrease of approximately 19.9% from approximately HK\$7,566,000 for the nine months ended 30 September 2012. The decrease was primarily due to the decrease in profit before tax, and partially offset by the increase in the tax effect of expense not deductible for tax purpose resulted from the payment of the Listing expenses and the imputed interest and adjustment on deposit paid to suppliers upon initial recognition.

Profit for the Period

Profit for the nine months ended 30 September 2013 was approximately HK\$3,804,000, representing a decrease of approximately 71.7% from approximately HK\$13,427,000 for the nine months ended 30 September 2012. The decrease was primarily due to (i) the significant increase in finance cost due to (1) the imputed interest and adjustment on deposit paid to suppliers upon initial recognition of approximately HK\$3,014,000 and (2) the increase in the Group's borrowings for the listing expenses and payment in relation to the obtaining of distribution right by the Group at the end of 2012 and early 2013; (ii) incurrence of the the Listing expenses of approximately HK\$8 million; and (iii) the decrease in gross profit resulted from the decrease in revenue.

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

As at 25 October 2013, being the date on which the shares of the Company were listed on GEM, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained by the Company under Section 352 of the SFO, or which were required to notify the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Name of Director	Capacity	Number of ordinary shares	Position	Approximate percentage of the total issued shares
Zhou Ling ("Mr. Zhou")	Beneficial owner and interest of spouse	147,160,000 (Note)	Long	18.40%
Yang Fang ("Ms. Yang")	Beneficial owner and interest of spouse	147,160,000 (Note)	Long	18.40%
Dai Haidong ("Mr. Dai")	Beneficial owner	60,840,000	Long	7.60%

Note:

Mr. Zhou and Ms. Yang, being husband and wife, are deemed to be interested in all the 147,160,000 shares of the Company which comprise of 104,396,190 shares and 42,763,810 shares of the Company held by Mr. Zhou and Ms. Yang respectively.

Save as disclosed above, as at 25 October 2013, none of the Directors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debenture of the Company and its associated corporations.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

So far as is known to the Directors, as at 25 October 2013, being the date on which the shares of the Company were listed on GEM, the following persons (other than a Director or chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

LONG POSITIONS IN SHARES

Name	Capacity	No. of shares of the Company held	Approximately percentage
Town Health Pharmaceutical Limited ("Town Health Pharmaceutical") (Note)	Beneficial owner	249,600,000	31.20%
Town Health (BVI) Limited ("Town Health (BVI)") (Note)	Interest of a controlled corporation	249,600,000	31.20%
Town Health International Investments Limited ("Town Health International") (Note)	Interest of a controlled corporation	249,600,000	31.20%

Note:

Town Health Pharmaceutical is wholly-owned by Town Health (BVI) which is in turn wholly-owned by Town Health International. Accordingly, Town Health International and Town Health (BVI) are deemed to be interested in all the 249,600,000 shares of the Company held by Town Health Pharmaceutical by virtue of the SFO.

Save as disclosed above, as at 25 October 2013, being the date on which the shares of the Company were listed on GEM, no person had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS OF THE COMPLIANCE ADVISER AND ITS DIRECTORS, EMPLOYEES AND ASSOCIATES

As confirmed by Kingsway Capital Limited, the compliance adviser of the Company, none of Kingsway Capital Limited and its directors, employees and associates was interested in the shares of the Company or materially interested in any contract or arrangement of the Company subsisting on 25 October 2013, being the date on which the shares of the Company were listed on GEM, which is significant in relation to the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to a deed for sale and purchase dated 26 September 2013 entered into between, among other parties, Mr. Zhou, Mr. Dai and Ms. Yang, each being an executive Director, as vendors and the Company as purchaser, the Company agreed to acquire from, among other parties, (i) Mr. Zhou his 4,216 shares in Max Goodrich International Limited ("Max Goodrich"); (ii) Mr. Dai his 2,457 shares in Max Goodrich; (iii) Ms. Yang her 1,727 shares in Max Goodrich, in consideration of, among other matters, the allotment and issue by the Company of 4,216 shares, 2,457 shares and 1,727 shares of the Company, credited as fully paid, to Mr. Zhou, Mr. Dai and Ms. Yang respectively, details of which are set out in the sub-section headed "History and development – Reorganisation" in the prospectus of the Company dated 18 October 2013.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the nine months ended 30 September 2013 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

During the period under review, none of the Directors or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 25 October 2013 to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible persons and for such other purposes as the Board may approve from time to time.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Pursuant to a resolution passed by the Board on 18 March 2013, the Company had adopted all the requirements of the code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules as its code provisions. As the shares of the Company have been listed on GEM since 25 October 2013 and hence was not required to comply with the provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules for the nine months ended 30 September 2013.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.46 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by the Directors. As the shares of the Company were listed on GEM on 25 October 2013, the Directors were not required to comply with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules regarding directors' securities transactions for the nine months ended 30 September 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As the shares of the Company were listed on GEM on 25 October 2013, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the nine months ended 30 September 2013.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company, or the laws of the Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) on 26 September 2013 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the Directors.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ho Hau Cheung, BBS, MH, Mr. Sung Hak Keung, Andy and Mr. Leung Chi Kin. Mr. Sung Hak Keung, Andy is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated results of the Group for the nine months ended 30 September 2013 and this report.

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

Hong Kong, 11 November 2013

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