New Ray Medicine
新銳醫藥

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2013:

- The Group recorded revenue of approximately HK$192.9 million (2012: approximately HK$175.0 million), representing an increase of approximately 10.2% as compared to 2012.

- The Group recorded a profit of approximately HK$17.4 million (2012: approximately HK$15.3 million), representing an increase of approximately 13.7% as compared to 2012.

As at 31 December 2013:

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero (2012: 0.09).

The Board recommend the payment of an final dividend HK2.5 cents per share for the year ended 31 December 2013.

The board (the "Board") of directors (the "Directors") of New Ray Medicine International Holding Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with the comparative figures for the corresponding period in 2012, as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
Revenue	*3*	**192,854**	175,042
Cost of sales		**(142,219)**	(136,049)
		50,635	38,993
Other income, gains and losses	*4*	**1,725**	1,544
Selling and distribution expenses		**(3,958)**	(3,112)
Administrative expenses		**(7,027)**	(6,635)
Listing and other expenses		**(10,212)**	(8,567)
Finance costs	*5*	**(2,439)**	(38)
Profit before tax		**28,724**	22,185
Income tax expense	*6*	**(11,321)**	(6,858)
Profit for the year	*7*	**17,403**	15,327
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation of functional currency to presentation currency		**3,921**	1,143
Total comprehensive income for the year		**21,324**	16,470
Profit for the year attributable to owners of the Company		**17,403**	15,327
Total comprehensive income for the year attributable to owners of the Company		**21,324**	16,470
Earnings per share	*9*		
Basic *(HK cents)*		**2.77**	2.95

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
At 31 December 2013

	NOTES	**2013** *HK$'000*	2012 *HK$'000*
Non-current assets			
Property, plant and equipment		**7,051**	5,668
Prepaid lease payments		**8,540**	8,521
Club debenture		**637**	621
Interest in a joint venture		**–**	–
Amount due from a joint venture		**–**	–
		16,228	14,810
Current assets			
Inventories		**9,792**	16,151
Trade and other receivables	*10*	**114,262**	108,462
Bills receivables	*10*	**–**	292
Prepaid lease payments		**196**	191
Amounts due from related parties		**–**	80
Bank balances and cash		**93,409**	26,289
		217,659	151,465
Current liabilities			
Trade and other payables	*11*	**11,996**	14,929
Amounts due to a related party		**–**	554
Other borrowing – due within one year	*12*	**–**	12,000
Tax payable		**5,396**	1,868
		17,392	29,351
Net current assets		**200,267**	122,114
Total assets less current liabilities		**216,495**	136,924
Non-current liability			
Deferred tax liabilities		**3,297**	2,531
		213,198	134,393
Capital and reserves			
Share capital	*13*	**8,000**	164
Share premium and reserves		**205,198**	134,229
Equity attributable to owners of the Company		**213,198**	134,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated on 9 August 2012 and registered as an exempted company with limited liability in Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and its place of business is located at Room 1001, 10th Floor, Sino Centre, Nos. 582-592 Nathan Road, Kowloon, Hong Kong.

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

For the purpose of listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the entities in the Group underwent a group reorganization on 26 September 2013 (the "Group Reorganisation") which involves interspersing the Company between Max Goodrich International Limited ("Max Goodrich") and its shareholders (the "Max Goodrich Shareholders"). Details of the Group Reorganization are set out in the paragraph headed "Corporate reorganisation" in Appendix V to the prospectus dated 18 October 2013 issued by the Company.

The Group resulting from the above mentioned Group Reorganisation is regarded as a continuing entity and the consolidated financial statements of the Group have been prepared as if the Company had been the holding company of Max Goodrich and its subsidiaries from the beginning of the year ended 31 December 2012. Accordingly, the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2013 and 2012 include the results of the companies now comprising the Group have been prepared, as if the current group structure upon the completion of the Group Reorganisation had been in existence throughout the years 2013 and 2012, or since their respective dates of incorporation where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2013 and 31 December 2012 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 25 October 2013.

The Company's functional currency is Renminbi ("RMB"). However, the consolidation financial statements are presented in Hong Kong dollars ("HK$") for the convenience of shareholders as it is listed in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA issued a number of amended and revised standards and interpretations ("amended and revised HKFRSs") which are effective for the Group's accounting periods beginning on 1 January 2013. For the purpose of preparing and presenting the consolidated financial statements for each of the two years ended 31 December 2013, the Group has adopted all these amended and revised HKFRSs consistently throughout each of the two years ended 31 December 2013.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 July 2014.
[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that based on the Group's consolidated financial statements as at 31 December 2013, the adoption of HKFRS 9 in the future will not affect the classification and measurement of the Group's consolidated financial statements.

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in wholesale 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 types of goods delivered.

Specially, the Group's reportable and operating segments are as follows:

(i) Injection drugs – trading of injection drugs

(ii) Tablet drugs – trading of tablet drugs

(iii) Capsule drugs – trading of capsule drugs

(iv) Others – trading of miscellaneous types of drugs, other than injection drugs, tablet drugs and capsule drugs

Segment profit represents the gross profit attributable to each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment information about these reportable and operating segments is presented below.

Year ended 31 December 2013

	Injection drugs	Tablet drugs	Capsule drugs	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales and segment revenue	168,697	11,377	11,071	1,709	192,854
RESULT					
Segment profit	41,392	2,247	6,426	570	50,635
Other income, gains and losses					1,725
Selling and distribution expenses					(3,958)
Administrative expenses					(7,027)
Listing and other expenses					(10,212)
Finance costs					(2,439)
Profit before tax					28,724

Year ended 31 December 2012

	Injection drugs	Tablet drugs	Capsule drugs	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales and segment revenue	151,242	14,501	6,636	2,663	175,042
RESULT					
Segment profit	32,902	3,359	2,669	63	38,993
Other income, gains and losses					1,544
Selling and distribution expenses					(3,112)
Administrative expenses					(6,635)
Listing and other expenses					(8,567)
Finance costs					(38)
Profit before tax					22,185

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

Geographical information

The Group's operations are located in the PRC (country of domicile). The geographical location of the Group's non-current assets is substantially situated in the PRC.

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

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**305**	135
Sundry income	**77**	166
Imputed interest on deposits paid to suppliers	**913**	1,243
Gain on disposal of property, plant and equipment	**430**	–
	1,725	1,544

5. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on borrowing wholly repayable within five years:		
Other borrowings wholly repayable within one year	**1,526**	38
Imputed interest adjustment on deposits paid to suppliers upon initial recognition	**3,014**	–
Reversal of imputed interest recognised	**(2,101)**	–
	2,439	38

6. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**10,285**	7,632
Deferred tax	**1,036**	(774)
	11,321	6,858

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 in the consolidated financial statements as the Group had no assessable profits in Hong Kong.

7. PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**964**	729
Other staff costs	**3,330**	2,639
Contributions to retirement benefits scheme, excluding directors	**344**	398
Total staff costs	**4,638**	3,766
Depreciation of property, plant and equipment	**1,217**	1,430
Amortisation of prepaid lease payment	**193**	190
Minimum lease payment under operating leases in respect of rented premises	**1,203**	1,031
Auditor's remuneration	**929**	143
(Gain) loss on disposal of property, plant and equipment	**(430)**	16
Cost of inventories recognised as an expense	**142,219**	136,049
Write-down of inventories (included in cost of sales)	**–**	9
Bank interest income	**(305)**	(135)

8. DIVIDENDS

Subsequent to the end of the reporting period, the board of directors proposed a final dividend of HK2.5 cents per share for the year ended 31 December 2013 out of the contributed surplus account of the Company and the final dividend is subject to approval by the shareholders of the Company in the Company's forthcoming annual general meeting.

For the year ended 31 December 2012, no dividend has been paid or declared by the Company since its incorporation. No dividend was distributed to the then shareholders of Max Goodrich during the year ended 31 December 2012 and prior to the Group Reorganisation.

9. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**17,403**	15,327

	Number of ordinary share	
	2013	2012
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**628,406,307**	520,000,000

For the years ended 31 December 2013 and 2012, the weighted average number of ordinary shares for the purpose of basic earnings per share has been taken into account the share issued pursuant to the Group Reorganisation as more fully disclosed in note 1 and the capitalisation issue of 519,979,000 ordinary shares of HK$0.01 each of the Company at par value on 3 October 2013 as stated in note 13 as if it had been effective on 1 January 2012.

No diluted earnings per share were presented as there were no potential dilutive shares during both years.

10. TRADE, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The following is an ageing analysis of trade and bills receivables presented based on the invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2013	2012
	HK$'000	*HK$'000*
Trade and bills receivables:		
0 – 30 days	**30,601**	20,790
31 – 60 days	**29,187**	19,642
61 – 90 days	**3,210**	396
91 – 180 days	**1,101**	873
Total trade and bills receivables	**64,099**	41,701
Prepayment, deposits and other receivables	**50,163**	67,053
	114,262	108,754

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by the customer. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$1,101,000 (2012: HK$873,000) which are past due as at 31 December 2013. The Group has not provided for impairment loss because management is of the opinion the credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances. The average age of these receivables as at 31 December 2013 is 100 days (2012: 103 days).

11. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables present based on invoice date at the end of the reporting periods:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**2,102**	1,807
31 – 60 days	**–**	4,195
61 – 90 days	**–**	1,212
Over 90 days	**199**	–
Total trade payable	**2,301**	7,214
Deposits reserved, accrued changes and other payables	**9,695**	7,715
	11,996	14,929

The credit period on purchase of goods ranges from 30 to 60 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.

12. OTHER BORROWING

	2013	2012
	HK$'000	*HK$'000*
Unsecured other loan	**–**	12,000

The other borrowing is repayable as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**–**	12,000

The unsecured other loan, which is denominated in HK$ and carried interest at fixed interest rate of 6% per annum, was raised from an independent third party during the year ended 31 December 2012 and repayable in one year. The proceeds were used for general working capital purpose of the Group.

13. SHARE CAPITAL

The share capital of the Group as at 1 January 2012 and 31 December 2012 represented the share capital of Max Goodrich since the Group Reorganisation was yet to be completed until 26 September 2013.

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

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
On 9 August 2012 (date of incorporation) *(Note a)*	10,000,000	100
At 31 December 2012	10,000,000	100
Increased pursuant to the Group Reorganisation *(Note b)*	990,000,000	9,900
At 31 December 2013	1,000,000,000	10,000
Issued and fully paid:		
On 9 August 2012 (date of incorporation) *(Note a)*	–	–
At 31 December 2012	–	–
Issue of shares on 23 August 2013 *(Note a)*	1	–
Issue of shares upon the share swap on 26 September 2013 *(Note c)*	20,999	210
Issue of shares by capitalisation of share premium *(Note d)*	519,979,000	5,199,790
Issue of shares upon the placing *(Note e)*	280,000,000	2,800,000
At 31 December 2013	800,000,000	8,000,000

Notes:

(a) The Company was incorporated in Bermuda on 9 August 2012 under the laws of Bermuda as an 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, 1 Share was issued and allotted to Town Health Pharmaceutical Limited ("Town Health Pharmaceutical") at nil consideration.

(b) On 26 September 2013, the authorised share capital of the Company was increased from HK$100,000 to HK$10,000,000 by the creation of an additional 990,000,000 Shares.

(c) On 26 September 2013, the Company (i) credited as fully paid at par the one nil-paid Share held by Town Health Pharmaceutical and (ii) allotted and issued a total of 20,999 Shares to the Max Goodrich Shareholders in consideration of the Max Goodrich Shareholders transferring in aggregate of 21,000 shares of US$1 each in the share capital of Max Goodrich (representing the entire issued share capital of Max Goodrich) to the Company.

(d) On 3 October 2013, the Company capitalised the amount of HK$5,199,790 standing to the credit of the share premium account of the Company to pay up in full at par 519,979,000 ordinary shares of HK$0.01 each, in proportion to the holders of shares whose names appear on the register of members of the Company.

(e) On 25 October 2013, the Company issued 280,000,000 shares of HK$0.01 each at HK$0.25 per share by way of placing. On the same date, the Company's shares were listed on the GEM of the Stock Exchange.

All ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group achieved steady financial and operational performance during the year, which is the result of successful implementation of a series of operational strategies. Throughout the year of 2013, the PRC pharmaceutical market recorded a sustainable growth which was driven by governmental reforms, increasing household income, healthcare awareness as well as aging population that stimulate healthcare spending. During the year under review, the Group recorded revenue of approximately HK$192.9 million (2012: HK$175.0 million), representing an increase of approximately 10.2% over the same period last year. Gross profit margin reached approximately 26.3% (2012: 22.3%), increased by approximately 4% from the corresponding period in 2012. Net profit distributable to equity shareholders was approximately HK$17.4 million (2012: HK$15.3 million), representing an increase of approximately 13.7% over the same period last year.

The shares of the Company were successfully listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 25 October 2013 ("Listing Date") ("Listing"). The Listing has enhanced the Group's leading position in the distribution of pharmaceutical products market in the Zhejiang province and demonstrated strong potential to expand the distribution network to other markets and hospitals throughout other regions in China. The increase in net profit attributable to equity shareholders was due to the increase in the sales of the Group's products with good profit margin and the successful implementation of the cost control of the Group during the review period.

Business Review

During the recent years, the China's pharmaceutical market is growing due to favorable government policies as well as multiple social economic factors, such as increasing household disposable income and growth of GDP, aging and increasing life expectancy of the PRC population, increasing urbanization, increasing healthcare spending and heath awareness which stimulate healthcare spending. In addition, the PRC government's prioritization of health concerns also contributed to the growth. A number of broad policy pieces have been enacted guiding the development of China's healthcare industry, such as the "Twelve Five Year Plan", a blueprint providing clear strategies for shaping social and economic growth and industrial planning in key sectors and regions, and Healthy China 2020, which aims to reform the country's healthcare system and provide universal health care. According to the research report released in July 2013 by GlobalData, a London consultancy firm engaged in the provision of research and consulting solutions for the healthcare industries, the China's prescription drug market will expand at a 26% compound annual growth rate to USD315 billion in 2020 from USD48 billion in 2012. In addition, an increasing aging population also plays a key role in boosting China's pharmaceutical market revenue. With China's elderly population expected to account for 19% of its total population of 1.41 billion in 2020, it is expected to see a rising prevalence of chronic diseases, which will in turn spark an increasing demand for pharmaceutical products. The Group is confident that the rapid pace of growth and implementation plan for healthcare reform will support the effective business development of the Group.

As at 31 December 2013, the Group had 40 pharmaceutical products, of which 34 pharmaceutical products were included in the Medical Insurance Drugs Catalogs. Those drugs are applied to various diseases or illness such as cardiovascular diseases, cerebrovascular diseases, digestive system illness, rheumatism, urinary system illness, anti-viral infection and health supplements. The Group's injection drugs have generated a predominant portion of revenue; other products of the Group include tablet drugs and capsule drugs. The Group's current product portfolio comprised 27 injection drugs which are mainly prescription drugs. The table below sets out the revenue of the Group (by form of products) for the year ended 31 December 2012 and 2013, respectively.

	Revenue contributed from each of the segment				Gross Profit Margin	
	2012		**2013**		2012	**2013**
	HK$'000	%	***HK$'000***	**%**	%	**%**
Injection drugs	151,242	86.4	**168,697**	**87.5**	21.8	**24.5**
Tablet drugs	14,501	8.3	**11,377**	**5.9**	23.2	**19.8**
Capsule drugs	6,636	3.8	**11,071**	**5.7**	40.2	**58.0**
Other drugs	2,663	1.5	**1,709**	**0.9**	2.4	**33.4**
Total	175,042	100.0	**192,854**	**100.0**	22.3	**26.3**

(i) Injection Drugs

The injection drugs segment generated a revenue of approximately HK$168.7 million for the year ended 31 December 2013 (2012: 151.2 million), representing an increase of approximately 11.6% as compared to 2012. Such increase was attributable to the increase in the sales of the Group's major products, namely Sulbenicillin Sodium for Injection (注射用磺苄林鈉) and Levocarnitine Injection (左卡尼丁注射液) due to the continuing successful implementation of the Group's marketing effort on those products. The gross profit margin of the injection drugs segment was approximately 24.5% in 2013, as compared to approximately 21.8% in 2012, representing an increase of approximately 2.7% from the corresponding period in 2012.

(ii) Tablet Drugs

The tablet drugs segment generated a revenue of approximately 11.4 million for the year ended 31 December 2013 (2012: 14.5 million), representing a decrease of approximately 21.4% as compared to 2012. Such decrease was attributable to the decrease in the sales of the Group's major products, namely Cefixime Dispersible Tablet (頭孢克肟分散片) due to such product having fallen within the category of antibiotics which should be under limited use as stated in the Administrator Catalogue of the Clinical Use of Antibiotics of Zhejiang Province (2012 version). The gross profit margin of the tablet drugs segment was approximately 19.8% in 2013, as compared to approximately 23.2% in 2012, decreased by approximately 3.4% from corresponding period in 2012.

(iii) Capsule Drugs

The capsule drugs segment generated a revenue of approximately 11.1 million for the year ended 31 December 2013 (2012: 6.6 million), representing an increase of approximately 68.2% as compared to 2012. Such increase was attributable to the increase in sales of the Group's newly acquired product in September 2012, namely Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊). The gross profit margin of the capsule drugs segment was approximately 58.0% in 2013, as compared to approximately 40.2% in 2012, increased by approximately 17.8% from the corresponding period in 2012.

In regards to distribution network, as of 31 December 2013, the Group procured pharmaceutical products throughout the PRC from 29 suppliers and the Group sold the pharmaceutical products through a network of 114 distribution customers, of which 42 distributor customers covering Zhejiang province with the remaining 72 distributor customers being spread over the remaining 18 regions in the PRC, including Shanghai, Chongqing, Anhui province, Sichuan province, Hebei province and Guangdong province. In addition, the Group successfully promoted its products to around 800 hospitals through the last tendering process in Zhejiang province. The Group will assist its suppliers by providing (i) its industry and market expertise; (ii) the marketing intelligence of the products and the provincial market; and (iii) the competitive price suggestions in relation to the collective tendering process, to the suppliers. The Directors believe those assistance providing to the suppliers will strengthen the relationship between the Group and its suppliers and will increase the Group's exposure in the China's pharmaceutical market in order to attract reputable suppliers and distributor customers.

Future Prospects

(i) Industry Outlook

In China, urbanization, environmental pollution and wealth disparities have led to widespread health problems. Serious health issues associated with China's rapid development include respiratory illnesses as well as growing incidences of cancer, cardiovascular disease and obesity problems. In response to the substantial demand for high quality and effective prescription drugs, healthcare expenditure and expectation, the Group will continue to identify and obtain new exclusive distribution rights of the prescription drugs to enhance its product portfolio.

It is inevitable that China will become one of the largest healthcare consumption markets in the world due to the huge demand potential of its over 1.3 billion population in the next 10 to 20 years, the Group will grasp the opportunities to promote and expand the distribution channels of the Group's pharmaceutical products to second and third tier cities and to new markets in Zhejiang province as well as to strengthen the Group's footsteps in the other Eastern China regions such as Shanghai, which has similar drug intake habit but generated less than 10% of total sales of the Group.

Moreover, throughout the year of 2013, the development of the Chinese pharmaceutical market has been driven by the expansion of the national medical insurance coverage, the rising per capita subsidy standard for medical insurance and the increasing maximum reimbursements ration for medical treatment. The consolidation in the Chinese pharmaceutical industry due to the various medical reform, and the increasing speed of urbanization, have benefited to the Group to seek potential business opportunities such as mergers or acquisitions and collaborations in order to maintain sustainable growth and bring positive return to stakeholders.

(ii) Growth Strategies

(a) Continue to diversify the existing product portfolio and expand the distribution network

The Group has been successfully identifying and acquiring the exclusive distribution rights of pharmaceutical products in order to maintain a diversified product portfolio, those products are applied in the treatment of a range of illness such as cardiovascular diseases, cerebrovascular diseases, digestive system illness, rheumatism, urinary system illness, anti-viral infection and health supplements. The Group has actively identified and obtained new exclusive distribution rights of products throughout the year in 2013. In February 2014, the Group has acquired a new exclusive distribution rights for the product, namely Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), the sales of which are expected to commence in April 2014. For further details in relation to the product, please refer to the paragraph headed "Recent Development" under the section headed "Management Discussion and Analysis".

In 2014, the Group will actively seek new business opportunities in order to diversify and improve the Group's product portfolio by fully utilized the Group's existing distribution network, resources and market position. The Group will actively identify and obtain new distribution rights of the pharmaceutical products from the existing and potential new suppliers in the PRC and overseas in order to improve and complement the Group's existing product portfolio. The Directors believe the aforesaid strategies will enhance the business and development of the Group.

(b) Continue to enhance and expand the sales and marketing capabilities

The Group has actively identified and hired additional sales and marketing personnel throughout the year in 2013 to strengthen the Group's sales and marketing capabilities. In addition, after the Listing, the Group is able to leverage with the Group's profile, brand recognition to approach various international pharmaceutical enterprises for business opportunities. In February 2014, the Group has acquired the exclusive national distribution rights of the products, namely Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), which are manufactured by a pharmaceutical manufacturer in Taiwan, the shares of which are listed on Taiwan Stock Exchange. For further details in relation to the product, please refer to the paragraph headed "Recent Development" under the section headed "Management Discussion and Analysis".

Meanwhile, in order to strengthen the competitive advantages over the Group's competitor, 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 (e.g. through use of online distribution platform or expansion of the Group's geographical distribution network).

Recent Development

In February 2014, the Group has entered into a distribution agreement ("Distribution Agreement") with a distributor in the PRC, pursuant to which the Group shall be granted an exclusive national distribution rights for the products namely, Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) ("Products") under two different specifications (i.e. 0.5g and 1.0g) in the PRC. Pursuant to the Distribution Agreement, the distribution period shall commence from 1 February 2014 to 31 December 2014 ("Distribution Period"). Pursuant to the terms of the Distribution Agreement, the Group had paid RMB15 million as the deposits for obtaining the distribution rights of the Products ("Deposit"). The Deposit shall be refundable upon expiry of the Distribution Period, subject to deduction in proportion to the amount of the Products which did not meet the 85% of the sales target as stipulated in the Distribution Agreement. The Group expects sales of the Products to begin in April 2014.

The Products are a second generation broad spectrum cephalosporin antibiotic which apply to the treatment of pneumonia, urinary system infection, intestinal infection and bone infection. The Products are currently under Grade B of the Medical Insurance Drugs Catalogs of 16 provinces in the PRC, including Guangdong province, Fujian province, Hunan province, Hubei province, Henan province, Hebei province, Shandong province and Liaoning province.

The Group has commissioned 廣州標點醫藥信息有限公司 (in English, for identification purpose, Guangzhou PICO Medicine Information Co., Ltd.) ("PICO"), a market research company to conduct a detailed analysis of and report on the Products. According to such report, the sales value of Cefamandole Nafate for Injection in the PRC was approximately RMB2,276.0 million in year 2013. The Products which are distributed by the Group was manufactured by a pharmaceutical manufacturer in Taiwan, the shares of which are listed on Taiwan Stock Exchange. The sales value of such product manufactured by such manufacturer had a market share of approximately 16.21%, which ranked the second largest in terms of sales value and market size of the Products in the PRC in year 2013.

In the future, the Group will continue to make progress in acquiring new products in order to enhance the product portfolio to meet with the increasing demand for high quality pharmaceutical products and to maintain the leading position in the pharmaceutical distribution market, especially in Zhejiang province.

Financial Review

Revenue

The total revenue for the year ended 31 December 2013 was approximately HK$192.9 million, representing an increase of approximately 10.2% from approximately HK$175.0 million for the year ended 31 December 2012. The increase was primarily due to (1) the sales from current major products of the Group being steady; (2) growth in revenue generated from the new products which were acquired during year 2012 and 2013.

Cost of sales

The cost of sales for the year ended 31 December 2013 was approximately HK$142.2 million, representing an increase of approximately 4.6% from approximately HK$136.0 million for the year ended 31 December 2012. The increase in cost of sales corresponded to the increase in revenue.

Gross profit and gross profit margin

Gross profit increased by approximately HK$11.6 million, or approximately 29.7%, from approximately HK$39.0 million for the year ended 31 December 2012 to approximately HK$50.6 million for the year ended 31 December 2013 due to more revenue generated from the Group's products and the increase in average gross profit margin. The Group's gross profit margin increased from approximately 22.3% for the year ended 31 September 2012 to approximately 26.3% for the year ended 31 December 2013. The increase in gross profit was mainly attributable to growth in revenue generated from the new products which were acquired during the years 2012 and 2013. The unit gross profit margin of the newly acquired products in 2012 and 2013 was higher than most of the current major products. Hence, growth in revenue generated from the new products which were acquired during year 2012 and 2013 had improved the average gross profit margin of the Group.

Other income, gains and losses

Other income, gains and losses for the year ended 31 December 2013 was approximately HK$1.7 million, representing an increase of approximately 13.3% from approximately HK$1.5 million for the year ended 31 December 2012. Such increase was primarily due to (i) a gain on disposal of property, plant and equipment; and (ii) increase in bank interest income even though there was a decrease in imputed interest on deposits paid to suppliers.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2013 was approximately HK$4.0 million, representing an increase of approximately 29.0% from approximately HK$3.1 million for the year ended 31 December 2012, which was primarily due to the Group's strategy on enhancing and expanding the Group's market share, distribution network and marketing efforts through (i) increasing headcount of the Group's marketing team, (ii) participating in drugs fair held by PharmChina, a national pharmaceutical trade exhibition, to promote the Group's brand name and (iii) organizing and providing training programs and marketing materials to medical practitioners and the Group's distributor customers since October 2013.

Administrative expenses

Administrative expenses for the year ended 31 December 2013 was approximately HK$7.0 million, representing an increase of approximately 6.1% from approximately HK$6.6 million for the corresponding period last year which was primarily due to the increase in salary of the Group's employees.

Listing and other expenses

Listing and other expenses for the year under review represented the professional fees and other expenses relating to the listing, which was approximately HK$10.2 million as compared to approximately HK$8.6 million for the year ended 31 December 2012, representing an increase of approximately 18.6%, due to the one-off additional expenses incurred in relation to the Listing.

Finance costs

Finance costs for the year ended 31 December 2013 was approximately HK$2.4 million as compared to HK$38,000 for the year ended 31 December 2012. The increase was mainly due to (i) imputed interest adjustment on deposit paid to suppliers upon initial recognition net of reversal of approximately HK$0.9 million and (ii) an increase in the Group's borrowings for listing expenses and for payment in relation to the obtaining of distribution rights by the Group in the end of 2012 and early 2013.

Income tax expenses

Income tax expenses for the year ended 31 December 2013 was approximately HK$11.3 million, representing an increase of approximately 63.8% from approximately HK$6.9 million for the corresponding period in 2012. The increase was mainly due to (i) the increase in profit before tax and (ii) 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 adjustment on deposit paid to suppliers upon initial recognition.

Profit for the year

Profit for the year ended 31 December 2013 was approximately HK$17.4 million, representing an increase of approximately 13.7% from approximately HK$15.3 million for the year ended 31 December 2012. The increase was primarily due to the increase in gross profit in relation to the increase in revenue and improvement in the average gross profit margin although it was partially offset by (i) the significant increase in finance cost as a result of increase of borrowings for listing expenses and loan for distribution rights in end of 2012 and early 2013; (ii) the increase in listing and other expenses of approximately HK$1.6 million; and (iii) the increase in selling and administrative expenses.

Liquidity and Financial Resources

During the year under review, the long-term funding and working capital required by the Group were primarily derived from income generated from its core business operations and the net proceeds from the Listing and were used to settle the suppliers trade payable and the initial deposit paid for obtaining distribution right of new products. The Group's liquidity position was well-managed in the year 2013.

The Group's gearing ratio (total bank and other borrowings divided by total equity) dropped to 0% (2012: 8.9%) as the Group had no outstanding bank and other borrowings as at 31 December 2013.

The Group had net cash (total cash and cash equivalents less bank and other borrowings) of approximately HK$93.4 million as at 31 December 2013 (2012: approximately HK$14.3 million, net cash). The Group's cash and cash equivalents amounted to approximately HK$93.4 million in total as at 31 December 2013 (2012: HK$26.3 million). Total bank and other borrowings as at 31 December 2013 was nil (2012: approximately HK$12 million).

The Group's financial resources are sufficient to support its business operations. The Group would also consider other financing activities when appropriate business opportunities arise under favorable market conditions.

Employee Information

As at 31 December, 2013, the Group had 38 employees (2012: 35). Staff costs, including Directors' remuneration for the year ended 31 December 2013, amounted to approximately HK$4.6 million (2012: 3.8 million). The Group's remuneration policy is based on position, duties and performance of the employees. The employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. 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 has also adopted other employee benefit including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance, and has participated in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

Contingent Liabilities

As at 31 December 2013, the Group did not have any significant contingent liabilities.

Material Acquisitions or Disposals

Except for the transactions in connection with the Group's Reorganization in preparation for the Listing as disclosed in prospectus of the Company dated 18 October 2013, there has been no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2013.

Capital Structure

The shares of the Company were listed on GEM of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Company since the Listing Date. The capital of the Company comprises only ordinary shares.

Pledge of assets

The Group has pledged the buildings and prepaid lease payments with aggregate carrying values of approximately HK$12.7 million (2012: HK$12.7 million) as at 31 December 2013 to secure general banking facilities granted to the Group.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2013 is scheduled to be held at 1/F., Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong on Thursday, 29 May 2014 at 9:00 a.m. ("AGM"). A notice convening the AGM will be issued and disseminated to the shareholders of the Company in due course.

DIVIDEND

Subsequent to the end of the reporting period, the Board proposed a final dividend ("Final Dividend") of HK2.5 cents per share for the year ended 31 December 2013 (2012: nil) to the shareholders of the Company which is subject to shareholders' approval in the AGM. Subject to the approval of the shareholders of the Company at the AGM, it is expected that the Final Dividend will be paid on or around 27 June 2014 to the shareholders whose name appear in the register of members of the Company on 6 June 2014.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company (the "Registers of Members") will be closed from Wednesday, 28 May 2014 to Thursday, 29 May 2014 (both days inclusive), during which period no transfer of shares of the Company will be effected, in order to determine the identity of members who are entitled to attend and vote at the AGM. In order to qualify for entitlement to attend and vote at the AGM, all share transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 27 May 2014.

The Registers of Members will also be closed from Thursday, 5 June 2014 to Friday, 6 June 2014, both days inclusive, during which period no transfer of shares of the Company will be effected, in order to determine the entitlement to the proposed Final Dividend. In order to qualify for entitlement to the proposed Final Dividend, all share transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre,183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 4 June 2014.

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 since the Listing Date up to 31 December 2013.

CORPORATE GOVERNANCE

The Board is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors. In this regard, a corporate governance committee of the Board has been established with primary responsibility for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board.

Before the Listing Date, the Company was not required to comply with the requirements under the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules").

The Company has adopted the CG Code as its own code of corporate governance. Through the period from the Listing Date to 31 December 2013, the Company had complied with the code provisions set out in the CG Code, to the extent applicable and permissible.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all the Directors confirmed that they had complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by Directors from the Listing Date up to 31 December 2013.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2013 have been reviewed by the Audit Committee of the Company.

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

Hong Kong, 18 March 2014

As of the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

This announcement will remain on the GEM Website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company.