



**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

**2014**

**First 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.**

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*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 GEM 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 enquiries, 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 FIRST QUARTERLY RESULTS**

The board (the “Board”) of directors (the “Directors”) of New Ray Medicine International Holding Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2014 (“Period”) together with the comparative unaudited figures for the corresponding period in 2013 prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The unaudited condensed 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 COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2014

|   | Notes | Three months ended<br>31 March  |                                 |
|---|-------|---------------------------------|---------------------------------|
|   |       | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| Revenue   | 4     | 28,872                          | 39,774                          |
| Cost of sales   |       | (19,884)                        | (30,783)                        |
|   |       | <b>8,988</b>                    | 8,991                           |
| Other income and gains  | 5     | 171                             | 344                             |
| Selling and distribution expenses   |       | (1,456)                         | (777)                           |
| Administrative expenses   |       | (2,307)                         | (1,985)                         |
| Listing expenses  |       | –                               | (3,809)                         |
| Finance costs   | 6     | –                               | (3,396)                         |
| Profit (loss) before tax  |       | <b>5,396</b>                    | (632)                           |
| Income tax expenses   | 7     | (1,692)                         | (2,124)                         |
| Profit (loss) for the period  |       | <b>3,704</b>                    | (2,756)                         |
| <b>Other comprehensive (expense)<br/>income for the period:</b>                               |       |                                 |                                 |
| Exchange difference arising on translation of<br>functional currency to presentation currency |       | (3,216)                         | 682                             |
| Total comprehensive income (expense)<br>for the period  |       | <b>488</b>                      | (2,074)                         |
| Profit (loss) for the period attributable to:<br>owners of the Company                        |       | <b>3,704</b>                    | (2,756)                         |
| Total comprehensive income (expense)<br>attributable to owners of the Company                 |       | <b>488</b>                      | (2,074)                         |
| Earnings (loss) per share:  |       |                                 |                                 |
| – Basic and diluted (HK cent)   | 9     | <b>0.46</b>                     | (0.53)                          |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the three months ended 31 March 2014

|   | Attributable to equity holders of the Company |               |                     |                       |                     |                  |          |
|---|---|---------------|---------------------|-----------------------|---------------------|------------------|----------|
|   | Share Capital                                 | Share premium | Contributed surplus | PRC statutory reserve | Translation reserve | Retained profits | Total    |
|   | HK\$'000                                      | HK\$'000      | HK\$'000            | HK\$'000              | HK\$'000            | HK\$'000         | HK\$'000 |
|   |   |               |                     | (Note 1)              |                     |                  |          |
| At 1 January 2014   | 8,000   | 54,681        | 70,167              | 10,319                | 13,323              | 56,708           | 213,198  |
| Profit for the period   | -   | -             | -                   | -                     | -                   | 3,704            | 3,704    |
| Exchange differences arising on the translation of foreign operations | -   | -             | -                   | -                     | (3,216)             | -                | (3,216)  |
| Total comprehensive income for the period                             | -   | -             | -                   | -                     | (3,216)             | 3,704            | 488      |
| Transfer  | -   | -             | -                   | 612                   | -                   | (612)            | -        |
| At 31 March 2014 (unaudited)  | 8,000   | 54,681        | 70,167              | 10,931                | 10,107              | 59,800           | 213,686  |
| At 1 January 2013   | -   | -             | 75,367              | 6,782                 | 9,402               | 42,842           | 134,393  |
| Loss for the period   | -   | -             | -                   | -                     | -                   | (2,756)          | (2,756)  |
| Exchange differences arising on the translation of foreign operations | -   | -             | -                   | -                     | 682                 | -                | 682      |
| Total comprehensive expense for the period                            | -   | -             | -                   | -                     | 682                 | (2,756)          | (2,074)  |
| Transfer  | -   | -             | -                   | 446                   | -                   | (446)            | -        |
| At 31 March 2013 (unaudited)  | -   | -             | 75,367              | 7,228                 | 10,084              | 39,640           | 132,319  |

*Note:*

- For the Company's subsidiaries, Hangzhou Xin Hong, Zhejiang Xin Rui Pharmaceutical Co. Ltd. ("Zhejiang Xin Rui Pharmaceutical") and Zhejiang Hong Rui Trading Co. Ltd. ("Hong Rui Trading"), as stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), they are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out on 10% of the net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries in accordance with relevant laws and regulations applicable to PRC enterprises. The statutory surplus reserve fund can be used to make up prior years' losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The statutory surplus reserve can be released to the retained profits upon the dissolution or winding up of the entity.

For Hong Rui (Hangzhou) Bio-medical Technology Co. Ltd. ("Hong Rui Bio-medical", the Company's subsidiary), as it is a wholly foreign owned enterprise, appropriation to statutory surplus reserve fund is based on the management's discretion.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

### 1. GENERAL INFORMATION

New Ray Medicine International Holding Limited (the "Company") was incorporated in Bermuda on 9 August 2012 as an exempted company with limited liability under the laws of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. Its place of business in Hong Kong is located at Room 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 REORGANISATION

In preparing for the listing of shares of the Company on 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, shareholders of Max Goodrich International Limited ("Max Goodrich") 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 allotment 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 of the one nil paid share held by Town Health Pharmaceutical.

### 3. BASIS OF PREPARATION

The Results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRSs") and the disclosure requirements of the GEM Listing Rules.

The Results have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value. The principal accounting policies used in the preparation of these Results are consistent with those applied in the preparation of audited annual financial statements for the year ended 31 December 2013 with addition of the new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2014. The adoption of these new and revised HKFRSs has no material effect on these Results.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

### 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 AND GAINS

|   | <b>Three months ended 31 March</b> |             |
|---|------------------------------------|-------------|
|   | <b>2014</b>                        | 2013        |
|   | <b>(Unaudited)</b>                 | (Unaudited) |
|   | <b>HK\$'000</b>                    | HK\$'000    |
| Bank Interest income  | <b>171</b>                         | 108         |
| Imputed interest and adjustment on deposits paid to suppliers | -                                  | 236         |
|   | <b>171</b>                         | 344         |

6. FINANCE COSTS

|  | Three months ended 31 March     |                                 |
|--|---------------------------------|---------------------------------|
|  | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| Interest on borrowing wholly repayable within five years:                          |                                 |                                 |
| Bank and other borrowings wholly repayable within one year                         | –                               | 382                             |
| Imputed interest adjustment on deposits paid to suppliers upon initial recognition | –                               | 3,014                           |
|  | –                               | 3,396                           |

7. INCOME TAX EXPENSES

|                                   | Three months ended 31 March     |                                 |
|-----------------------------------|---------------------------------|---------------------------------|
|                                   | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| <b>Current Tax:</b>               |                                 |                                 |
| PRC Enterprise Income Tax ("EIT") | 1,574                           | 1,672                           |
| Deferred Tax                      | 118                             | 452                             |
|                                   | 1,692                           | 2,124                           |

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 three months ended 31 March 2014 (2013: Nil).

## 9. EARNINGS PER SHARE

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

|  | <b>Three months ended 31 March</b> |                 |
|--|------------------------------------|-----------------|
|  | <b>2014</b>                        | 2013            |
|  | <b>(Unaudited)</b>                 | (Unaudited)     |
|  | <b>HK\$'000</b>                    | HK\$'000        |
| <b>Earnings (loss)</b>   |                                    | <i>(note 2)</i> |
| Earnings (loss) for the purpose of basic and dilute earnings per share                                 | <b>3,704</b>                       | (2,756)         |
| <b>Number of shares</b>  |                                    |                 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share <i>(note 1)</i> | <b>800,000,000</b>                 | 519,979,000     |
| Basic earnings (loss) per share (HK cent)  | <b>0.46</b>                        | (0.53)          |

### Notes:

- 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 2.
- 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 appeared 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.

## 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 procured pharmaceutical products throughout the PRC from 29 suppliers and the Group sold the pharmaceutical products through a network of 114 distributor customers, of which 42 distributor customers cover Zhejiang province and the remaining 72 distributor customers are 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.

### Business Review

For the Period, the Group recorded a revenue of approximately HK\$28,872,000, representing a decrease of approximately 27.4%, compared with that of the corresponding period in 2013. Such decrease was primarily due to the fact that the Group has ceased the sales of products with relatively low gross profit margin. The Group recorded gross profit margin of approximately 31.1% for the Period, a significant increase as compared to that of the corresponding period last year, which was 22.6%. Hence, the gross profit for the Period remained steady as compared with the three months ended 31 March 2013. Net profit attributable to equity shareholders of the Company for the Period was approximately HK\$3,704,000, as compared to a net loss attributable to equity shareholders of the Company of approximately HK\$2,756,000 recorded in the corresponding period last year. Such change from a net loss position to a net profit position was primarily due to the absence of finance cost and listing expenses, which were incurred by the Group during the three months ended 31 March 2013, in the Period, despite that it was partially offset by the increase in selling and distribution expenses and administrative expenses for the Period. The listing expenses of the Company was approximately HK\$3,809,000 and finance cost was approximately HK\$3,396,000 in the corresponding period last year. The finance cost for the three months ended 31 March 2013 comprised (i) the imputed interest adjustment on deposit paid to suppliers upon initial recognition of approximately HK\$3,014,000; and (ii) the Group's borrowings for the listing expenses and for payment in relation to the obtaining of distribution right by the Group at the end of 2012 and early 2013. The Group repaid all the borrowings for listing expenses and for payment in relation to the obtaining of distribution right during the year 2013.

## Recent Development

In the first quarter of 2014, the Group continued to enhance its product portfolio, distribution channels, and marketing and promotion strategy in order to achieve a better and sustainable long term development of the Group. During the period from 1 January 2014 to the date of this report, the Group acquired distribution rights of two products, namely Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) and Levocarnitine Injection (左卡尼丁注射液).

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

In February 2014, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted an exclusive national distribution rights for the product Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) ("Cefamandole Nafate Products") under two different specifications (i.e. 0.5g and 1.0g) in the PRC. Pursuant to the distribution agreement, the distribution period commenced from 1 February 2014 to 31 December 2014 and the Group had paid RMB15 million as the deposits for obtaining the distribution rights of the Cefamandole Nafate Products. Such deposit shall be refundable upon expiry of the distribution period, subject to deduction in proportion to the amount of the Cefamandole Nafate Products which is below 85% of the sales target as stipulated in the aforementioned distribution agreement. The sales of the Cefamandole Nafate Products commenced in April 2014.

### Levocarnitine Injection (左卡尼丁注射液)

In May 2014, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted an exclusive provincial distribution rights for Levocarnitine Injection (左卡尼丁注射液) under two different specifications (i.e. 1.0g and 2.0g) manufactured by a pharmaceutical manufacturer in Italy ("Italy Levocarnitine Injection") in Zhejiang province. Pursuant to the distribution agreement, the distribution period shall commence from May 2014 to the end of the next collective tendering period in Zhejiang province and the Group has paid RMB300,000 as the deposits for obtaining the distribution rights of the Italy Levocarnitine Injection. Such deposit shall be refundable upon expiry of the distribution period, subject to deduction in proportion to the amount of the Italy Levocarnitine Injection which is below 80% of the sales target as stipulated in the aforementioned distribution agreement. The Group expects the sales of the Italy Levocarnitine Injection to begin by June 2014.

Before the entry into of the distribution agreement in relation to the Italy Levocarnitine Injection in May 2014, the Group has already been distributing another Levocarnitine Injection (左卡尼丁注射液) in Zhejiang province which was manufactured by a pharmaceutical manufacturer in the PRC ("PRC Levocarnitine Injection").

The Group has commissioned 廣州標點醫藥信息有限公司 (in English, for identification purposes only, Guangzhou PICO Medicine Information Co., Ltd.) ("PICO"), a market research company to conduct a detailed analysis of and report on both the PRC Levocarnitine Injection and the Italy Levocarnitine Injection.

According to the report from PICO, the sales value of the PRC Levocarnitine Injection in Zhejiang province was approximately RMB34.5 million in year 2013, and had a market share of approximately 44.3% in Zhejiang province, which ranked the second largest in terms of sales value and market size of all Levocarnitine Injection products in Zhejiang province in year 2013. The sales value of the Italy Levocarnitine Injection in Zhejiang province was approximately RMB37.7 million in year 2013, had a market share of approximately 48.4% in Zhejiang province, which ranked the largest in terms of sales value and market size of all Levocarnitine Injection products in Zhejiang province in year 2013.

The Directors are confident that the newly acquired Italy Levocarnitine Injection, together with the PRC Levocarnitine Injection will enable the Group to gain a dominating position in terms of market share of Levocarnitine Injection in Zhejiang province. According to the historical market data of Levocarnitine Injection as set out in the PICO Report, the market share of Italy Levocarnitine Injection and PRC Levocarnitine Injection in Zhejiang province were approximately 92.7% in year 2013.

In the future, the Group will continue to identify and acquire potential products from domestic and overseas pharmaceutical manufacturers. The Directors believe the current expanding product pipeline would sustain the Group's growth in a long term. It is the intention of the Group to maintain the leading position in the pharmaceutical distribution industry, especially in Zhejiang province.

### **Outlook**

In pursuit of the 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 RMB8 trillion by 2020 from RMB1.25 trillion in 2011. 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 regions which the Group has not yet explored.

The Group intends to expand its marketing, promotion and channel management network by penetrating into hospitals and local community health centres which are not currently within the Group's distribution network, and cross-selling products to departments within the hospitals already in the Group's distribution network. The Group also plans to continue to expand its marketing, promotion and channel management network by adding promotion partners and distributors in areas where the Group has limited or no presence.

The Group will continue 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 customers and understanding how to market and sell the Group's products are crucial to the Group's success.

## FINANCIAL REVIEW

### Revenue

The total revenue for the Period was approximately HK\$28,872,000, representing a decrease of approximately 27.4% from approximately HK\$39,774,000 for the three months ended 31 March 2013. The decrease was primarily due to the cessation of sales of the Group's products with relatively low gross profit margin.

### Cost of sales

The cost of sales for the Period was approximately HK\$19,884,000, representing a decrease of approximately 35.4% from approximately HK\$30,783,000 for the three months ended 31 March 2013. The decrease in cost of sales was resulted from the decrease in revenue due to cessation of sale of products with relatively low profit margin.

### Gross profit and gross profit margin

Gross profit for the Period remained steady as compared with the three months ended 31 March 2013. The Group's average gross profit margin increased by 8.5%, from 22.6% for the three months ended 31 March 2013 to 31.1% for the Period. Such increase on gross profit margin was mainly attributable to the increase in proportion of the revenue generated from products with relatively high gross profit margin (including the product Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊)) and the cessation of sale of products with relatively low gross profit margin.

### Other income and gains

Other income and gains for the Period was approximately HK\$171,000, which was bank interest income, and represented a decrease of approximately 50.3% from approximately HK\$344,000 for the three months ended 31 March 2013. Such decrease in other income and gains was primarily attributable to the absence of imputed interest and adjustment on deposits paid to suppliers.

### Selling and distribution expenses

Selling and distribution expenses for the Period was approximately HK\$1,456,000, representing an increase of approximately 87.4% from approximately HK\$777,000 for the three months ended 31 March 2013. Such increase was primarily due to the increase in salaries and of sales and marketing personnel. In addition, the Group participated in various marketing activities more frequently, especially to promote the Group's new product Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉).

### Administrative expenses

Administrative expenses for the Period was approximately HK\$2,307,000, representing an increase of approximately 16.2% from approximately HK\$1,985,000 for the three months ended 31 March 2013. Such increase was primarily due to the increase in salaries and headcount of the back office.

### **Listing expenses**

Listing expenses for the Period was nil as compared to approximately HK\$3,809,000 for the three months ended 31 March 2013.

### **Finance costs**

Finance costs for the Period were nil as compared to approximately HK\$3,396,000 for the three months ended 31 March 2013. The finance costs recorded in the corresponding period last year were mainly (i) the imputed interest adjustment on deposit paid to suppliers upon initial recognition of approximately HK\$3,014,000 and (ii) 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. The Group repaid all the borrowings for listing expenses and for payment in relation to the obtaining of distribution right during the year 2013.

### **Income tax expenses**

Income tax expenses for the Period was approximately HK\$1,692,000, representing a decrease of approximately 20.3% from approximately HK\$2,124,000 for the three months ended 31 March 2013. The decrease was primarily due to the increase in tax deductible expenses and decrease in expenses which are non-deductible for tax purposes. Increase in tax deductible expenses are (i) selling and distribution expenses; and (ii) administrative expenses. Decrease in non-deductible expenses for tax purposes are primarily attributable to the absence of (i) listing expenses; and (ii) the imputed interest adjustment on deposit paid to suppliers upon initial recognition in the corresponding period last year.

### **Profit for the Period**

Profit for the Period was approximately HK\$3,704,000, representing an increase of approximately HK\$6,460,000 from the loss of approximately HK\$2,756,000 for the three months ended 31 March 2013. Such change was primarily due to the absence of finance cost and listing expenses, which were incurred by the Group during the three months ended 31 March 2013, in the Period, despite that it was partially offset by the increase in selling and distribution expenses and administrative expenses for the Period.

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

As at 31 March 2014, 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 required to be kept under Section 352 of the SFO, or as otherwise notified to 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 of the Company ("Shares") | Position | Approximate percentage of the total issued Shares |
|----------------------------|---|---|----------|---|
| Zhou Ling<br>("Mr. Zhou")  | Beneficial owner and interest of spouse | 147,160,000<br>(Note)                               | Long     | 18.4%   |
| Yang Fang<br>("Ms. Yang")  | Beneficial owner and interest of spouse | 147,160,000<br>(Note)                               | Long     | 18.4%   |
| Dai Haidong<br>("Mr. Dai") | Beneficial owner                        | 60,840,000  | Long     | 7.6%  |

*Note:*

Mr. Zhou and Ms. Yang, being husband and wife, were deemed to be interested in all the 147,160,000 Shares which comprised 104,396,190 Shares and 42,763,810 Shares held by Mr. Zhou and Ms. Yang respectively.

Save as disclosed above, as at 31 March 2014, none of the Directors and chief executive 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

As at 31 March 2014, other than the interests disclosed above in respect of the Directors and chief executive of the Company, the following persons had an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### LONG POSITIONS IN SHARES AND UNDERLYING SHARES

| Name   | Capacity                                | Number of<br>Ordinary Shares | Approximate<br>percentage of<br>the total<br>issued Shares |
|--|---|------------------------------|--|
| Town Health<br>Pharmaceutical Limited<br>("Town Health<br>Pharmaceutical")<br>(Note)   | Beneficial owner                        | 249,600,000                  | 31.2%  |
| Town Health (BVI) Limited<br>("Town Health (BVI)")<br>(Note)   | Interest of a controlled<br>corporation | 249,600,000                  | 31.2%  |
| Town Health International<br>Medical Group Limited<br>(formerly known as Town<br>Health International<br>Investments Limited)<br>("Town Health<br>International") (Note) | Interest of a controlled<br>corporation | 249,600,000                  | 31.2%  |

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) were deemed to be interested in all the 249,600,000 Shares held by Town Health Pharmaceutical by virtue of the SFO. Mr. Lee Chik Yuet who is an executive Director, is currently also a director of Town Health International, Town Health (BVI) and Town Health Pharmaceutical.

Save as disclosed above, no person had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.



## **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 or its directors, employees or associates was interested in the Shares or materially interested in any contract or arrangement of the Company as at 31 March 2014 or at any time during the Period.

## **DIRECTORS' INTERESTS IN CONTRACTS**

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 as at 31 March 2014 or at any time during the Period.

## **DIRECTORS' COMPETING INTERESTS**

During the Period, none of the Directors, controlling shareholders of the Company 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 (the "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. No share options were granted, exercised or cancelled by the Company under the Scheme during the Period and there were no outstanding share options under the Scheme as at 31 March 2014.

## **RIGHTS TO ACQUIRE COMPANY'S SECURITIES**

Other than as disclosed under the sections "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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 to the GEM Listing Rules as its code provisions.

Code provision A.2.7 of the Corporate Governance Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The Chairman of the Board during the Period, Mr. Zhou Ling, was himself an executive Director and as such compliance with this code provision was infeasible.

Save as disclosed above, during the Period, the Company had complied with the Corporate Governance Code, to the extent applicable and permissible to the Company.

## **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. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by the Directors during the Period.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

## **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 of the Company.

## AUDIT COMMITTEE

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 Period and this report.

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

Hong Kong, 9 May 2014

*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.*